



Hoping for a second take-off

# FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY MAY 18 1994

#### **UK and China to** resume talks on **Hong Kong airport**

Britain and China said their officials would meet on Friday to discuss the financing of Hong Kong's airport project - the first such meeting since

August last year.
The talks will mark another step towards normalising Sino-UK discussions on Hong Kong's future. Although it is unlikely the two sides will be able to announce a resolution to their two-year dispute about how to finance the airport, the UK government said it was hoping for an early agreement on the project. Page 14

Lloyd's reports \$3bn tosses: Lloyd's, the London insurance market, reported a loss of £2.05hn. (\$3.07bn) for its 1991 year of account, bringing cumulative losses since 1988 to more than £7bn. Page 14; Still shivering from US exposure, Page 8

Eurotunnel bankers optimistic: Bankers to Eurotunnel, the Channel tunnel operator, said they were making progress towards raising an extra £700m (\$1.050m) in loans for the company in time for the rights issue expected in about two weeks. Page 15

North Korean nuclear inspection begins: The International Atomic Energy Agency will begin an inspection today of North Korean nuclear facilities that could prove to be a turning point in the dispute over Pyongyang's nuclear programme. Page 14

France plans to pull troops from Bosnia; France said it planned to withdraw more than 2,000 of its troops assigned to the United Nations in ex-Yugoslavia by the end of this year, while still remaining the largest single provider of peace-

Hata told to expect no-confidence vota

States a

and the second



The likelihood of a change of Japanese government this summer increased when Yohei Kono (left), president of the opposition Liberal Democratic party, warned prime minister Tsutomu Hata he must resign or face a no-confidence vote as soon as the budget for this year clears parliament - probably in mid-July. Page 4

Hanson raises dividend: Anglo-American conglomerate Hanson raised its quarterly dividend from 2.85p to 3p when announcing half year pre-tax profits of £683m (\$1.02bn), up from £507m, buoyed by £333m of disposal profits. Page 15; Lex. Page 14

Thai International ahead 300%: Thai International Airways reported a 300 per cent largely because of improved efficiency. Page 17

Yemenis fight for control of key airbase: Fighting intensified in Yemen for control of the strategic southern airbase of al-Anad, 40km north of Aden, with both sides claiming victory.

Uncted says tariff outs will hit third world: Tariff cuts agreed in the Uruguay Round of global trade talks will erode the competitive advantage of developing countries, according to the United Nations Conference on Trade and Development.

Italy's privatisation plan moves ahead: Italy's new government is pressing ahead with the flotation timetable of Ina, the insurance institute. Shares are due to be placed on the market at the end of June. Page 2

Ailied-Lyons, UK-based drinks, food and retailing group, which is paying £740m (\$1.11bn) for control of Spanish drinks producer Pedro Domecq, reported a 20 per cent rise in annual pre-tax profits to £606m. Page 15, Lex. Page 14

Microsoft unleashes Tiger: US personal computer software company Microsoft has pounced on the emerging market for computer systems used to deliver interactive television services with software codenamed Tiger. Page 15

Two shot dead in Uister: Two Roman Catholic workmen were shot dead and another wounded in an attack at an old people's home in Belfast. The Protestant Ulster Volunteer Force claimed responsibility.

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# Fed raises discount rate to 3.5%

By Jurek Martin in Washington and Frank McGurty in New York

The US Federal Reserve yesterday raised its key discount rate to 3.5 per cent from 3 per

cent to ensure that the current economic expansion does not become inflationary. US markets rose strongly on news of the first increase in the trend-setting discount rate in more than five years. The discount rate is the rate at which the Fed, the US central bank, lends money to commercial

banks and thus affects borrowing

costs for everything from home

mortgages to corporate loans.

A central bank spokesman said
the Fed wants the half-point

increase in the discount rate to lead to a commensurate increase in the federal funds rate - the

The Fed said the rise was effective immediately.
At 2.45pm the Dow Jones Industrial Average, which had lifted only slightly in early trade, was up 34 points at around 3,705. In the US Treasury market, bond prices leapt on the news, with the 30-year benchmark long bond up 1% points to almost 87. The yield

The dollar briefly jumped

fell 15 basis points to 7.334.

rate at which banks trade money

among themselves.

about half a pfennig at mid-afternoon in New York, but quickly gave back the gains on profit-tak-ing. In afternoon trading the dollar was changing hands at DM1.6655, and at Y104.35, marginally up from Y104.25 earlier in

The White House said it would "wait and see" if the rate rise hurt growth. President Bill Clinton earlier in the day had appeared to give a tacit nod of approval to any increase in US short-term interest rates.

The Fed's decisions were announced in a brief statement issued at the end of a closed-door meeting of the Federal Open Market Committee, the policy group composed of Fed board members in Washington and Fed regional

While the Fed's previous three small rate rises have sent stock and bond markets spiraling downward, analysts said they were not looking for such a negative reaction this time. Federal Reserve Chairman

Alan Greenspan and other Fed officials have insisted they are not trying to choke off the economic expansion, but are merely

Economic expansion prompts US move to contain inflation pushing interest rates to a "neutral" level where they are neither spurring nor retarding growth. In off-the-cuff remarks Presi-

dent Clinton said "there's clearly some room for [a level of] short-term interest rates over the rate of inflation that won't slow down our economic growth". Mr Clinton's point was that any action by the Fed would not reflect concern about an existing threat of inflation, but rather fears of an expansion getting out of hand, with inflationary risks

down the line. Any interest rate increase growth", he said. "We have more jobs, lower inflation and a lower deficit, and projections for strong growth, good growth."

The only significant economic

number released yesterday conformed to the recent pattern of sustainable non-inflationary growth. Housing starts fell in April to a seasonally-adjusted annual rate of 1.45m units from a revised 1.49m units the previous month. The decline in part reflected the impact of higher mortgage rates, now at an average 8.35 per cent their highest levels in two years.

> Bonds, Page 19 Currencies, Page 32

# Schneider bank Sit-down protest grounds airline creditors stand to lose \$2.7bn

Bank creditors to Germany's failed Jürgen Schneider property group stand to lose up to DM4.5bn (\$2.7bn) - nearly all the DM5bn of debts outstanding and nearly double the initial estimates when the company collapsed early last month. Mr Gerhard Walter, the admin-

strator in charge of the group's bankruptcy proceedings, said the 121 properties owned by Schneider had a market value of only DM3bn-DM3.5bn. He was speaking after the first meeting of creditors to the Schneider group since it filed for bankruptcy.

The first official estimate of Schneider's deficit suggests that

banks are set to lose far more than was believed in the immediate aftermath of the collapse. It was then thought that banks would lose a maximum of half of their outstanding loans. The company's head, Mr Jür-

gen Schneider, has been missing since just before the company's collapse. Although the figures confirm the Schneider case as the worst property collapse in Germany since the second world war, bankers said that the estimates

and the assumptions behind them may be unduly pessimistic. Losses will not crystallise for vears, if at all, until such time as the Schneider properties are sold. Mr Walter said in calculating the deficit, he had taken into account the further cash the

banks will have to invest to bring

the properties into marketable

condition, as well as rolled-up

mulate on the outstanding debts.

The 15 largest properties will need a further DM1bn spending on them over the next two years to bring them to completion. He estimated that a second tier of properties would need further expenditure of DM600-DM650m. Rolled-up interest will amount to a further DM1bn.

If this is deducted from the group's remaining financial resources, the total potential exposure mounts to DM7.5bn. The deficit is the difference

DM3bn-DM3.5n which could be rised by selling the properties. Air Walter said the calculations were based on a further deterioration of the German property market over the next two years.

between DM7.5bn and the

The scale of the deficit is such that craftsmen and trade creditors stand to lose up to DM250m owed to them by the Schneider group. Individual banks, however, have agreed to compete Schneider developments and have promised to pay off trade creditors. Deutsche Bank, the higgest creditor, which is owed DM1.2hn, has said it will pay DM50m owed to trade creditors on the projects financed by the bank. It was this sum which Mr Hilmar Kopper, chief executive of the bank, described as "peanuts" in a recent press conference.

It is not clear if the banks' write-offs will correspond to Mr Walter's estimates of the deficit. The decision on how much to provide for the exposure to the Schneider group will not be

taken until early next year.



strike at Orly airport, Paris, grounding all the carrier's flights in a protest over airline market liberalis Unions want greater autonomy from Air France, Air Inter's parent com-Union feer, Page 3 Reuter

#### **Globex** dealt blow by Liffe rejection

By Antonia Sharpe in London

Globex, the electronic futures trading system developed and operated by Reuters, the financial information and news group, was dealt a further blow yesterday when Liffe, London's financial futures and options exchange, said it had decided not

Liffe's decision comes one month after the Chicago Board of Trade announced it was pulling out of Globex, despite a new agreement designed to revitalise the system and lighten the financial obligations on participating

Only the Chicago Mercantile Exchange and France's Matif remain as Reuters' Globex partners. However, the DTB, Germany's futures exchange, is expected to make a decision today on whether it will join. Simex, Singapore's futures exchange, is also in talks with Globex

Mr Nick Durlacher, Liffe's chairman, said the board's decision reflected its main priority. national distribution of Liffe's products outside European time

"Regrettably, the terms of our participation in Globex would

Continued on Page 14

# State prosecutor under fire over VW 'spying' probe

By Christopher Parkes in Frankfurt

The prime minister of Lower Saxony and five leading German lawyers yesterday launched a concerted attack on the state prosecutor in charge of the Volkswagen-General Motors industrial espionage probe. Mr Gerhard Schröder, Social

Democrat prime minister of Lower Saxony and effective holder of the state's 20 per cent stake in VW. complained of an alleged lack of fairness and the use of "questionable" methods in the investigation.

His attack was based on weekend reports that lawyers working for Adam Opel, GM's German subsidiary, last year hired private detectives to stalk suspect VW employees – all formerly employed by the US group. According to the reports, the detectives used subterfuge to win their confidence and gain access to their private property.

Meanwhile, the five lawyers representing Mr José Ignacio López de Arriotúa, GM's former global purchasing chief, and col-

said they planned to investigate the methods used on behalf of the prosecution.

Yesterday's events represented the most vigorous and concerted retaliation so far against the US-based GM group's allegations of the theft of masses of corporate secrets by Mr Lôpez and his asso-

"We will carefully examine the extent to which the state prosecutors' office tolerated or had knowledge of inadmissible deceptions," the lawyers said in a joint

nent, issued by VW. Referring to "indications" that the Opel detectives had used subterruge in their probes, the law-yers said they would also examine the extent to which the private detectives' methods might have prejudiced the find-ings of the official probe.

der seemed aimed at exerting pressure on the Social Democrat government in the state of Hesse, Opel's German base, and the seat of the criminal investigations, to intervene in the case. The lawyers' intervention

legal retaliation. "This is no lon-ger the VW affair, it is now the Opel affair," said Mr Otto Ferdinand Wachs, VW group spokes-

While the Darmstadt prosecu-tors' office issued a firm denial of the VW lawyers' allegations, the latest events may present a chance for VW to open a new front in the legal battle between the two companies, which has

already lasted more than a year. This was reflected in comments by officials close to VW that there could be legal consequences if Opel agents had used deception. Opel, which last week-end admitted its lawyers had employed private detectives, yes-terday denounced the VW law-

yers' "diversionary tactics". The company suggested that their sensationalising of Opel's defensive measures and the exertion of "pressure on the public prosecutors' office", was an attempt to divert attention from the investigations into the betrayal of company secrets, breach of trust and fraudulent conversion.

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

# Italy's privatisation plan set to go ahead Pressures on

Government has given go-ahead for flotation of insurance institute, writes Robert Graham in Rome

Italy's new government has difficulties in meeting the June given its strongest signal vet that it will honour the country's wide-ranging privatisation programme by pressing ahead with the flotation timetable of Ina, the insurance institute. Shares are due to be placed on the market at the

This emerged from a meeting yesterday between Mr Lamberto Dini, Treasury minister and former director-general of the Bank of Italy, and Mr Giancarlo Pagliarini, budget minis-

Complex problems surrounding the privatisation of Ina 26 date set for Ina by the previous government, the Treasuryled privatisation team is anxious to demonstrate the new government's commitment to privatisation. They are playing down statements by the populist Northern League, a key partner in Mr Silvio Berlusconi's government, that there should be a month's delay in all privatisation plans to assess

Two of the three ministries responsible for privatisation budget and industry - are controlled by League ministers. But both have distanced themselves from the party's call.

avoid repeating the concentration of control achieved directly and indirectly by Mediobanca, the Milan merchant bank in the sale of Banca Commerciale Italiana and Credito Italiano.

The neo-fascist MDI/National Alliance, Mr Berlusconi's other main government partner, has so far refrained from imposing its long-standing "corporatist" ideas of state ownership. The privatisation process in fact seeks to dismantle many of the institutions, including Ina, which were set up during the fascist era.

Mr Berlusconi, in outlining his government's policy proday, promised to accelerate privatisation in the first 100 days of his government. He singled out Ina, Stet (telecoms), Enel (electricity) and Eni (oil and gas). All were on the former government's privatisation list, with Enel and Stet scheduled for the autumn after the latter has reorganised the state's telecommunications assets

The opposition has latched on to the omissions in his programme. He mentioned nothing, for instance, about Alitalia, the national airline, which has just begun to discuss a radical restructuring programme

under one holding, Telecom

ting a quarter of the workforce and a L1,500hn (£826m) capital

Alitalia will test the government's unity both over any confrontation with the unions and on privatisation. The League and Mr Berlusconi's Forza Italia are happy to see the airline privatised with the government retaining a golden share. The MSI regards the airline as a strategic asset and would be extremely hostile to significant foreign stake. The objection to foreign control could apply to Krupp's move to bid for the special steels side of Ilva, the state steel group.

A broader issue to be tackled

within the next few days is the

ing. The government's enthusiasm for privatisation renders Iri increasingly obsolete. Prof Romano Prodi, brought back as chairman a year ago, is reportedly ready to resign because of differences over the holding's

He was noticeably absent from discussions earlier this week on the reorganisation of Telecom Italia, which is a key part of the Irl empire and accounts for an important part

The Iti board tomorrow considers the 1993 accounts, which are expected to show a loss of L10,000bn and debts of

# drachma send rates up again

Greek interest rates surged again yesterday as pressure on the drachma continued, but the currency held its ground against both the D-Mark and the US dollar. The three-month interbank

lending rate averaged 77 per

cent, up from 48.5 per cent on Monday, while the one-month rate reached 100 per cent. Dealers reiterated that devaluation could not be ruled out believing pressure on the drachma would resume once interest rates started to decline, even if depreciation were speeded up in the mean-time. Said one: "These rates can't be sustained beyond the end of the month. The drachma may be allowed to slip 5 per cent until then, but the speculators will still be

The drachma weakened only slightly against the D-Mark, closing at DM148.3 compared with DM148.2 on Monday. It was unchanged against the dollar. at Dr247.9.

waiting."

Government officials voiced relief that the threat of a devaluation immediately after curbs on short-term capital move-ment were lifted last weekend had been averted. They said that new measures to reduce the budget deficit, including an expanded privatisation programme and a tougher crackdown on tax evasion, would be

announced by next week. The speculative pressure has been less than we expected," one adviser said. "The crucial matter now is to reinforce revenue-raising measures and gain policy credibility."

north-east, with Moslem forces

lem forces had launched an

offensive, with the Serbs tak-

had seized two out of three

strategic heights from where

Serb forces previously used

artillery to bombard Tuzla, the

But local witnesses said Mos-

They said that Moslem forces

suffering heavy losses.

ing serious casualties.

However, there was little indication that confidence in the drachma was being maintained. Two new issues of Repand dollar-linked bonds at higher interest rates, aimed at attracting funds from oversees investors to boost the foreign exchange reserves, raised less than anticipated. According to initial estimates, they raised a total of \$250m in funds from abroad, against a target of \$500m. The government extended the subscription

period for a second day. Despite the liberalisation of short-term capital movement, Greek investors may still have difficulty moving funds to other European Union countries. The complex procedures laid down by the central bank are designed to prevent rapid capital outflows by deterring investors from exporting money earned on the flourishing black economy much of which is corrently funnelled into tax-free government

According to the new Bank of Greece regulations, transfers of more than Ecu2,000 (£1,540) must be accompanied by the sender's tax details.

• Nearly Dribn (£2.7m) worth of state bonds were claimed yesterday to have disappeared from the Bank of Greece and officials fear they may have already been encashed, AP reports from Athens.

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negotiations with Russia's sovereign and commercial creditors said yesterday he believed he would conclude deals with the Paris and London Clubs. However, interest repayments on the \$80bn-plus debt could be no more than \$4bn this year. Mr Alexander Shokhin, dep-

uty premier for the economy, said Russia had asked for a delay in meeting the Paris Club in order to work out "a new draft on repayments" for the present year. The talks are due to begin in Paris on June 2, and Mr Shokhin said "we would like to solve the issue before the [Group of Seven] Naples summit" in July.

agreement in March between

However, the \$4bn which Mr Shokhin said would be the limit the budget could stand represents only a fraction of the total debt service obligations for the present year. According to the US investment bank J P Morgan, Russia owes around \$21bn this year, of which \$6.7bn is interest and \$14.6bn is principal.

Mr Shokhin's forecast came

amid further dire warnings about Russia's economic plight. Mr Sergei Shakhrai, who resigned yesterday as a deputy premier, said the gov-His optimism stems from the ernment would not survive a continued crisis on non-

signed recently by most parties and associations would be valueless without a turn upwards in the economy. Production in the first quarter had fallen by a third in Moscow alone compared with a year ago. Mr Yegor Gaidar, leader of

the Russia's Choice party and former first deputy premier, said in Izvestiya that Mr Vladimir Zhirinovsky, leader of the ultra-nationalist Liberal Democratic party, was a "great threat" to Russia's fragile democracy. In the same newspaper. Mr Boris Fyodorov. head of the December 12 party and former deputy premier for finance, said "the very statehood of Russia is under deadly



A Russian pensioner seeks help yesterday with his application for privatisation shares in a state-owned energy concern. Under the privatisation programme all citizens were given vouchers exchangeable for shares. The deadline for submitting them is July 1.

# France announces partial pull-out of troops from Bosnia

By David Buchan in Paris and Laura Silber in Belgrade

France said yesterday it planned to withdraw more than 2,000 of its troops assigned to the United Nations in ex-Yugoslavia by the end of this year, while still remaining the largest single provider of peacekeeping forces there.

The decision was abruptly announced by Mr François Léotard, the defence minister, on French radio yesterday

foreign ministry was quick to add that the partial pull-out might be reversed if there was a diplomatic breakthrough in the desultory peace talks in the

These were being further threatened yesterday. Amid reports of heavy fighting between Serb and Moslem forces in north-eastern Bosnia, and a Serb artillery attack on Tuzla airport, Lord Owen and Mr Thorvald Stoltenberg, the

of Serbia in Belgrade to try to oush forward the peace pro-

After discussing Gorazde, a UN "safe area", and the Bosnian Serb refusal to comply with the terms of the Nato ultimatum calling for their withdrawal from the zone. Lord Owen and Mr Stoltenberg headed off to meet Bosnian Serb leaders in Zvornik, a Serbheld town in eastern Bosnia. France had already

allies had been informed. The President Slobodan Milosevic ture next month of 900 troops from the Glina region of Krajina. But Mr Léotard disclosed yesterday that the 1,350-strong French battalion around Bihac western Bosnia would leave in November, leaving some 4,500 French "blue helmets" on

the soil of ex-Yugoslavia.
In advance of last Friday's meeting with US, Russian and European Union peace mediators, the prime minister. Mr Edouard Balladur, warned that "the moment of choice is

would only maintain its effort "if all our main partners show the same determination and are ready to make a sufficient

said yesterday the latest French announcement was directed not only at the warring parties but also "the American and Russians who do not seem to share the sense of urgency which we and the British have, because of our sizeable forces on the ground".

strategy has been to reinforce, for reasons of safety and efficiency, its presence in Saraievo, where in fact it added a third battalion in March. But A defence ministry official, the defence official said there was a further specific reason to pull out of Bihac.

"There, we have found ourselves diverted from our original humanitarian mission because we have been caught in the middle between two factions of Moslems," he said. Meanwhile, Serbian radio said

second biggest Bosnian government stronghold in the north-east. UN monitors yesterday reported Serb shelling

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# Credito Italiano S.p.A. 1993 results

The AGM approved the Financial Statements as at December 31 1993, the highlights of which are

	( Lic. in billions )	( Pounds Sterling in millions
CAPITAL AND RESERVES (after distribution of profit)	4,519	1,790
LOANS TO CUSTOMERS	45,357	17,971
SECURITIES	17,935	7,106
DEPOSITS FROM CUSTOMERS	44,380	17,584
SECURITIES HELD IN SAFE CUSTODY/ADMINISTERED ON CUSTOMERS' BEHALF	88,810	35,187
BALANCE SHEET TOTAL	135,680	53,758
(of which guarantees and commitments)	22,190	8,792
PRE-TAX PROFIT	859	340
NET PROFIT	219	87

Net profit was used to allocate 82 billion to Reserves and to pay a dividend of 85 and 100 lire on the ordinary and savings shares, respectively.

 clected the following to the Board: Lucio RONDELLI, Egidio Giuseppe BRUNO, Roberto BERTAZZONI, John CARTER, Leonardo DEL VECCHIO, Roberto GAVAZZI, Wolfgang GRAEBNER, Leopold Henri JEORGER, Achille MARAMOTTI, Giampiero PESENTI, Franz SCHMITZ;

elected the following Statutory Auditors: Paride COSTA (Chairman), Giorgio ARENA, Giuseppe ARMENISE, Salvatore SPINIELLO, Giancarlo TOMASIN; and Alternate Statutory Auditors: Antonio COLOMBO, Dario VILLA.

 appointed Coopers and Lybrand s.a.s. to audit the accounts of the parent bank and Group for 1995/97. The Board Meeting of April 18 1994 then:

elected Lucio RONDELLI Chairman and Egidio Giuseppe BRUNO Deputy Chairman. Mr BRUNO was also appointed Managing Director,

confirmed Gerardo GUIDA Secretary to the Board.

The dividend is payable against coupon no. 10 from May 17 1994 at all branches of Credito Italiano, Banca Commerciale Italiana, Banca di Roma, Banca Nazionale del Lavoro, Banco di Napoli, Banco di Sicilia, Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena, Banco di

Sardegna and at Monte Titoli S.p.A. for shares administered by the latter. The countervalues in Pounds Sterling have been calculated

applying the reference rate determined by Banca d'Italia on December 31, 1993: Pounds Sterling 1.00 = Lit 2,523.92.



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# IMF ready to back Turkey

A standby loan agreement between Turkey and the International Monetary Fund seems imminent after the head of the Fund's negotiating mission to Turkey yesterday pubof the rund's negotiating mission to runary yestertay pub-licly endorsed the Ankara government's austerity programme. Mr Thomas Reichmann, concluding a two-week mission to Turkey, said he was recommending the programme to the IMF board. Agreement on a letter of intent could be in place in early July, paving the way for immediate disbursement of up to \$250m to support the balance of payments. The one-year standby, which depends on Turkey's quota with the Fund, is likely to be up to \$500m.

Turkey's austerity programme envisages slashing the budget deficit by half to TL93,000bn (£1.87bn) in 1994, through wage restraint, official commodity price rises, new taxes, and faster privatisation. Turkey will repay around \$9.1bn in 1994 on its medium and long term debt, in principal and interest. It is looking for \$3.7bn in new drawings in 1994, according to the State Planning Organisation. A Fund accord is vital to restore international confidence in the Turkish economy and is a precondition for World Bank structural adjustment loans, now under negotiation: John Marray Brown, Ankara

#### Top Russian reformer resigns



Mr Sergei Shakhrai (left) yesterday resigned as Russian deputy prime minister after losing his post as minister in charge of nationalities on Monday. Mr Shakhrai, 38, was one of the most senior reformers left in government. He to increasingly fractious infighting between the vast presidential staff and the gov-ernment. Mr Shakhrai left the door open for his return by saying in his resignation letter that he left without having "taken offence." He resigned after Mr Nikolai Yegorov, former head of the

Krasnodar region, was given his job of nationalities minister without warning or consultation. He will now concentrate on building up his small but influential Party of Unity and

#### Unions fear Orly competition

Air Inter, the French domestic airline, was brought to a virtual standstill yesterday as unions launched a one-day strike in protest over the liberalisation of the French airline market. Unions said the introduction of competition on some of their most profitable routes would compound the financial pressures facing the loss-making airline. They demanded that Air Inter be given greater management autonomy from Air France, its state-owned parent company, and be allowed to operate on profitable European routes.

Last month, the European Commission ordered the French government to open routes between London and Orly airport in Paris to competition, and said the lucrative Orly-Toulouse and Orly-Marseilles routes must be opened to rivals within six months. Mr Michel Bernard, president of Air Inter, said the relationship between Air Inter and Air France would be reorganised during the summer. An airline official said it was important the domestic airline remained part of the Air France group, but increased competition on some of its profitable routes should be compensated by a relaxation in requirements to serve unprofitable routes. John Ridding, Paris.

#### Small companies' cash restraint

Poor access to finance means that Europe's small and medium sized enterprises are unlikely to provide a solution to the European Union's unemployment problem, according to a survey yesterday. Tipped by the European Commission to become the main source of jobs as European economies recover, more nies are not confid they have sufficient finance to support their plans, according to a study of 5,000 companies in the 12 member states plus Austria, Sweden and Malta.

Funding is most precarious in France, Greece; Italy, Spain and Austria but satisfactory in Belgium, Denmark and Rolland. The survey showed that most smaller company finance is short-term. In the UK, 70 per cent fund their businesses with an overdraft, compared with only 37 per cent in Germany where loans are preferred. By contrast, more than 80 per cent of German companies favour loans of two years or more, against only 40 per cent in the UK. Emma Tucker, Brussels

#### Lawson presses for OECD job

Lord Lawson, the former UK chancellor, was in Washington yesterday, meeting Mr Lloyd Bentsen, the US treasury secretary, and Ms Joan Spero, undersecretary of state for international economic affairs, in pursuit of his candidacy to be the next director general of the Organisation for Economic Co-operation and Development. His mission is to try to prise loose crucial US backing for Mr Don Johnston, the former Canadian minister. Other contenders are Mr Jean-Claude Paye, the incumbent, who is seeking a third five-year tarm. and Mr Lorenz Schomerus, a senior German economics minis-

The next regular meeting of OECD ministers early next month in Paris has to find a consensus on the succession, though Lord Lawson thinks this remains unlikely unless the US changes its mind. Support appears evenly divided between the former chancellor, Mr Johnston and Mr Paye, with Mr Schomerus trailing. Lord Lawson wishes to give the OECD a higher profile in international economic affairs, an argument that might appeal to the US. He sees the organisation as a key ingredient in the international policy-making network, along with the Group of Seven and the nascent World Trade Organisation. Jurek Martin, Washington.

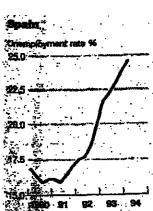
#### **ECONOMIC WATCH**

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#### Spain's jobless rate hits 24%



Spain's jobless rate, the highest in the European Union, reached a record 24.6 per cent in the first quarter, according to the National Statistics Institute's latest survey. But the economy ministry said unemployment had probably peaked and pointed to signs of improvement in the trend. Most experts believe the quarterly survey overstates the number of job-less but provides a better reflection of trends than registered unemployment, which declined slightly in March and April to stand at 17.8 per Source of 3.79m unemployed was 110,000 up on the previous

quarter and 492,000 more than a year earlier. But the ministry said this partly reflected new arrivals on the job market especially women. The ministry predicted employment would start to rise as the economy picked up. David White, Madrid. Danish prime minister Poul Nyrup Rasmussen said the soveniment expected a current account balance of payments surplies of between DKr28bn and DKr30bn (£2.86bn-£3.07bn) in

1994 Sempared with a previous forecast of DKr24.6bn.

Toblind's jobless rate fell to 19.5 per cent in April from 20.8 per cent in March, the labour ministry said.

# Shoddy meets quality in Transylvania

postcard pretty town in the heart of mountain. Chrystia Freeland and Virginia Marsh on the bitter contest the heart of mountain-ous Transylvania, Codbetween the old and new at a bankrupt Romanian factory The man now at the fore-front of the battle is Mr Hakan

lea is an unlikely setting for the conflict at the centre of eastern Europe's economic transformation.

However, over the past few Gunnerling, a Swedish specialmonths this sleepy Romanian ist in turning around failing town has seen a contest pitting companies, who was sent in by

efficient, often brutal, capitalism with its promise of future prosperity against a rickety, unproductive, centrally planned economy, with its guarantee of a job but a dismal standard of living for évervone.

For many of the individual actors, the struggle at the Magura Codlea furniture factory which employs 1,600 of the town's 25,000 inhabitants, has been a personal tragedy. One victim was the factory director who committed suicide when the conflict began to heat up late last year. For the workers, it has meant coming to terms with western standards of quality and efficiency after

four decades of communism. The suddide came after the company, privatised at the end of 1992 via a management buy-out, lost its western export markets, racked up a \$9m debt and was about to be foreclosed by its creditors, IKEA, the Swedish furniture retailer, and local bank founded by the Romanian-born tennis

cescu's socialist autarky, col-lapse under the slightest pres-According to Mr

"Nothing surprises me any more," says Mr Gunnerling, who, in less than a year in Romania, has suffered the suicide of a colleague, several pugnacious strikes - including occupation of the factory by protesting workers - and sustained attacks in the national media, He has also been advised to hire a personal bodyguard.

the creditors to coax or coerce

the Magura Codlea factory into

capitalist ways.

But there is still a certain, almost innocent, western bewilderment in his explanation that now we have the right machinery, we have the necessary customer, but we just don't have the right peo-ple".

Mr Gunnerling's impatience with Magura Codlea's shoddy socialist past is apparent the moment he walks into the factory's meeting room. This is one of Romania's premier fur-niture factories but visitors must choose their seats with care because some of the chairs in the room, built in the had old days of Nicolae Ceau-

"To have chairs like this in a factory which has been producing furniture for 100 years, it's so awful that its almost funny," Mr Gunnerling says. Standing in silent reproach along the walls of the room are

According to Mr Gunnerling. Magura Codlea's furniture, in true socialist fashion, "could look good when it was packed, but when it arrived at the enduser it was scratched". So Mr Gunnerling, who arrived in Transylvania in

For many of the workers it was bad enough to be required to make bookshelves in which the screws routinely matched the holes, but the final straw was when the company's finances were subjected to scrutiny . .

the sturdy, clean-lined bookshelves which, under Mr Gunnerling's stern supervision, the factory has been producing for

IKEA. IKEA, which has been purchasing furniture from Magura Codlea for more than two decades and is the factory's principle customer, saw the privatisation as an opportunity to bring production of all the factory's production up to

teaching Magura Codlea's workers quality control and training them in the use of new equipment from IKEA, to be paid back with future

October, summoned a team of

But IKEA's much-vaunted insistence on high standards ran into the resistence of a workforce trained in a system in which, as the east European joke goes, "they pretend to pay As Mr Gunnerling discovered "not everyone is able to learn to run complicated machinery or to take responsibility for his work".

For many of Magura Codlea's workers it was bad enough to be required to make bookshelves in which the screws routinely matched the holes, but the final straw was when Mr Gunnerling subjected the company's finances to scrutiny. He made a discovery which had been obscured by Romania's byzantine accounting standards - the company

was broke. "I pointed out to the board of directors that the company is losing money and will continue to lose money for some time," Mr Gunnerling said. "By western standards, it was bankrupt, and in these circumstances it was normal for the creditors to

For Magura Codlea's workers, the creditors' seizure of the company's shares last December was going too far.
"They still believe they own
the factory," Mr Gunnerling said. "Here we have 1,600 directors with 1,600 ideas of how the company should be run."

Protesting that the factory had been "stolen" - by the

tors - in mid-January Magura Codlea's employees began a series of strikes. At the height of the stand-off, Mr Gunnerling told workers assembled in the factory canteen that their strike was illegal and that every one was fired, unprecedented in a country where inefficient state companies still

keep thousands of surplus workers on their books. Mr Gunnerling has since stepped back from that drastic measure but still plans to layoff 300 this summer and thinks that 700 is the optimal number of employees. Production has resumed, although new strikes are always possible.

The ex-communist govern ment, surprising its critics and acting against the instincts of many of its ministers, has resisted the temptation to renationalise the factory or to prevent the creditors from tak-

ing direct control. But Magura Codlea still has too many workers with too few skills, and a reluctant Mr Gunnerling fears that to maintain the fragile peace in his work-shops he may have to sack the remaining individuals behind

the management buy-out. It is not a peace treaty, only a ceasefire, with compromises on both sides. But Magura Codlea has already become a pio-neer in a country still only half way down the road to capital-

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#### UN to send new peace force to Rwanda

By Michael Littlejohns, UN Correspondent, in New York

The United Nations security council yesterday agreed unan-imously to send up to 5,500 peace-keeping troops to last month that withdrew most of a UN force of little more than half that number.

But the question last night was where the bulk of the troops would come from, since no western country, including the US, appears willing to commit contingents.

Furthermore, diplomats acknowledged that the force was unlikely to make much impact on what the council's resolution termed the "mindless violence and carnage engulfing Rwanda".

Estimates of deaths in 10 weeks of bloody conflict between Hutu and Tutsis range from 200,000 to as many

The US held up a council decision until the last minute, arguing that the parties to the conflict had indicated no readiness to call a ceasefire or even to agree to the UN operation.

These reservations, shared by some other western members, were a clear backlash



Rwanda's foreign minister, Mr Jerome Bicamumpaka, conferring with his delegation at the UN in New York yesterday after the unanimous vote to send more peace-keepers. UN diplomats acknowledge, however, that the move is unlikely to halt the fighting

which has coloured the Clinton administration's response to all subsequent UN appeals for help. However, the US is expected to provide some logistical support for what at best is likely to be a mostly African army.

Mr Boutros Boutros Ghali, the UN secretary general, has asked 40 African states to provide troops. Ghana is consider-ing whether to return 500 men it evacuated from Rwanda last month at the height of the ethnic slaughter. Nigeria and Tanzania are understood to have offered troops, and Senegal and Zambia are reported to be considering whether to send

on their return to Cairo from

had rejected their calls for a

ceasefire and insisted that

their southern rivals should

Mr Mohammad Said al-Ber-

eqdar, the league's assistant

secretary-general, said Mr

Saleh opposed any ceasefire

which allowed his southern

opponents to regroup and rein-

The north was also demand-

ing the surrender of southern

leader Ali Salem al-Baidh and

The Arab League delegation

had been unable to visit

southern Yemen during its

four-day visit to the country

because of the fierce fighting

which has raged since war

seven of his senior officials.

force their armies.

council will review the situation in Rwanda after the first deployment phase is completed, including sending in 150 military observers.

Pentagon specialists have warned UN officials that the organisation was under intense scrutiny by the US Congress and that another failure, such as that in Somalia, would severely discredit the UN as a Under an expanded mandate. the UN force must try to

protect displaced civilians who are at risk, including refugees and displaced persons, establish and maintain secure humanitarian areas and provide security for and support

# Yemenis in battle for control of key airbase

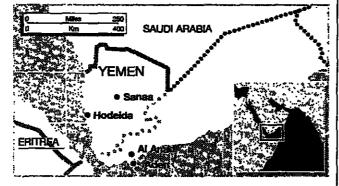
By Roger Matthews in London and Robin Allen in Dubai

Fighting intensified in Yemen yesterday around the strategic southern airbase of al-Anad, 40km north of Aden, with northern forces again claiming victory and southern troops insisting that they retained

The battle for al-Anad could decide the fate of Aden, according to military analysts. Although the southern air force could deploy to other bases, the fall of al-Anad would assault on Aden, or enable northern forces to lay siege to the city.

President Ali Abdullah Saleh would have to decide whether to use the threat posed to Aden. as a bargaining lever with southern leaders, or face the inevitably high casualties resulting from an attempt to take the city.

Southern aircraft were reported to have flown repeated sorties yesterday against northern troops on the approach to al-Anad. Captain Abdul Rahim Qassem, speaking from a new rear southern defence line 18km south of the base, claimed that the northern forces were being held un



trol of the base. They have not

Southern military officials also said that fighting was raging on the Zingibar front, 55km north-east of Aden. Northern forces appeared to be preparing for an offensive from al-Anad and Zinglbar.

A correspondent for Reuters reported southern soldiers as saying that the northern troops were attacking in waves. "They come like human waves. We spray them with our guns but they keep coming back. They look like as if they are drugged. They do not stop when we fire, they keep coming," said one soldier.

Northern shells were hitting areas 22km north of Aden, the closest so far to the city. Arab League mediators said

# Christopher in first Jericho visit

US Secretary of State Warren Christopher, on a Middle East peace shuttle, yesterday became the first world states man to visit Jericho-seat of the newly created Palestinian autonomous area evacuated by Israel last week.

Mr Christopher's visit was clearly made to demonstrate US support for the Palestinian self-rule deal: "One of the reasons I came here is to make it clear to our Palestinian friends that they are not alone in this endeavour and that we in the stand with them as they make their historic transition."

In the blazing heat Palestinian security forces lined the roads of Mr Christopher's motorcade as an honour guard for the US secretary who spent much of the day trying to avoid being photographed in front of pictures of Mr Yassir Arafat, the Palestine Liberation Organisation chairman.

Most Palestinians in Jericho, however, shunned the Christopher visit preferring to flock to a gathering point near the Jor-danian border crossing to welcome home Mr Jibril Rajoub, a hero in the West Bank and Mr Arafat's adviser on the occupied territories, Mr Rajoub, a

Mr Arafat's Fatah faction, was allowed to cross the border with 20 other deportees vesterday after having spent six years in exile in Tunis and 17 years in Israeli prisons. He will become the overall

PLO security boss for the West Bank. Thousands of jubilant Palestinians, many from Mr Jibril's Hebron home, were in Jericho to greet him. The days events were over shadowed as Palestinian extremists shot dead two Jew-

synagogue with their automatic rifles. The Islamic Resistance Hamas movement claimed responsibility for the attack in the West Bank less than 24 hours after armed Jewish set tlers and Israeli soldiers shot

ish settlers in the occupied

West Bank and armed Israelis

ignored Palestinian policemen

and wounded 18 Palestinians in Hebron, the flash point of Arab-Israeli violence. Meanwhile, Israeli officials handed over daily administration of the Gaza Strip and Jeri-

cho to Palestinians yesterday putting 850,000 Arabs under self-rule for the first time in their history. The embryonic Palestinian self-rule authority took over 38 departments which have control from health to taxation.

# Harare sows seeds for an investment harvest

Tony Hawkins reviews the progress and potential of an ambitious structural adjustment programme

Olitical transition in South Africa and economic reform in Zimbabwe are transforming the regional business climate, suggesting that Zimbabwe's investment promotion conference, starting in London tomorrow, will prove far more successful than its predecessor five years ago.
Then, Zimbabwe had not

embraced structural adjustment, and South Africa appeared headed for long-running, bloody confrontation.

After a slow start in 1991, economic reform in Zimbabwe has accelerated over the past 18 months with two substantial tranches of exchange control and foreign payments liberalis-ation. This was complemented by price deregulation, labour laws and investment regulations, the commercialisation - though not yet privatisation - of some state enterprises, the freeing of interest rates and a partial exchange rate float.

In January, the Zimbabwe dollar was devalued by 17 per cent and quantitative import controls were abolished. A twotier exchange rate system was created with exporters allowed to retain 60 per cent of their foreign earnings, selling the balance to the Reserve (central) Bank of Zimbabwe at the

official exchange rate.
Initially, the free market rate traded at a discount of some 5 per cent below the official rate of 2\$8 to the dollar, but the gap has since narrowed to less than 1 per cent, and the mar-ket is to be unified later this year when exporters will retain all their earnings and all current account transactions will have been liberalised.

This cannot come too soon for some of the multinationals attending this week's meeting. In an effort to attract new investment, Zimbabwe has - mistakenly - favoured the relatively few newcomers (Tony O Reilly's Heinz and Algy Cluff's gold mines being the two most notable) over the long-standing players such as Unilever, Dunlop, Carnaud Metal Box, Barclays and Standard Chartered Banks

For the past decade, pre-independence investors were not allowed to remit more than 25 per cent of after-tax profits, while new arrivals were allowed 50 per cent. These regened allowing post-1993 investors 100 per cent repatriation, while existing companies are allowed to remit 50 per cent of

Zimbabwe is committed to unemployment at its present level of around 30 per cent. tainly this year which, with the eventual release of blocked funds, will stimulate increased investment activity by existing companies. Portfolio investment was liberalised last year when foreign investors were allowed to trade on the Zim-babwe Stock Exchange. In the nine months since this reform took effect, foreigners have injected some \$80m into the market contributing to the 300 per cent surge in share prices

All this is very different from Against the US dollar (25 per US\$)

over the past year.

investment averaged a mere \$20m a year. Inflows have since accelerated markedly averaging \$60m a year since 1990. Two big new projects are in the pipeline; the \$225m BHP-Utah platinum mine at Chegutu and a proposed Hong Kong-financed airport hotel and casino close to Harare. The Zimbahwe Investment

the 1980s when foreign direct

Centre (ZIC), set up to facilitate and promote investment approved 843 projects worth some Z\$5.6bn (\$1.4bn) between 1989 and 1993. Of these, 100 were foreign and a further 159 were joint-ventures, valued at \$470m, though not all of this represented foreign inflows.

In the first quarter of 1994, a further 67 projects were approved, representing new estment of almost \$200m, of which \$68m was foreign or ioint-venture. Zimbabwe needs much more;

the most disturbing aspect of

the ZIC numbers is the number of jobs created. Investment of ne \$800m in the last two and a half years has generated less than 35,000 new jobs. With an annual net addition to the labour market, the implication is that the country

level of around 30 per cent Clearly, that is not going to happen, implying a combination of higher levels of unemployment and enhanced reliance on the informal sector. Higher investment levels are also needed to kick-start the sługgish economy.

Since independence in 1980 real GDP growth has fallen behind the 3.1 per cent rate of population increase, expanding at 2.8 per cent annually. As a result real income per head is lower than at independence and 16 per cent below its peak of the mid-1970s. Assuming the economy can grow at a steady 5 per cent a year, it will take a decade to regain 1975 living

Policy reform is a significant part of the solution, but weak commodity prices, adverse weather conditions, and regional political instability have left their mark on the economy. With commodity prices seemingly on the upturn and the regional political envi-ronment better than any time for over 30 years, investment prospects have brightened considerably.

Regional investment should improve with the political climate, but there are fears that investors, motivated as the International Finance Corporation notes, by market size more than anything else, will plump for South Africa's \$112bn market rather than Zimbabwe's \$4bn. For Pretoria's neighbours, it is a swings and round abouts situation.

Market size, infrastructure and logistics dictate that a stable South Africa, accounting for more than 80 per cent of southern African GDP, will attract the lion's share of new investment.

But Zimbabwe with its relatively efficient infrastructure. its plentiful cheap labour and close proximity to the South African hub of Pretoria Witwatersrand-Vereeniging, should be able to exploit new and different market opportunities.

For this to happen Zimbab-wean business will have to rethink its strategy, seeking niche markets and going for joint-venture opportunities in alliances with South African business rather than risking head-on competition. None of this will happen

without continuing and stronger commitment to an economy, that welcomes foreign capital and skills and facilitates cross-border commerce and investment.

Deadline near for Clinton decision on trade status

needs to invest nearly \$5bn

annually, or 25 per cent more

than its GDP, merely to peg

# Chinese PM attacks **US** over dissidents

Prime Minister Li Peng of China has maintained Beijing's tough stance on human rights, accusing the US of giving undue weight to the views of a "tiny number" of dissident Chi-

Mr Li told Mr Zblgniew Brzezinski, former US national security security adviser, that China resented interference in its internal affairs and would not yield to outside pressures.
"Foreign statesmen will surely make mistakes," he said, "if they base their under-

standing of China merely on the words or views of a tiny number of Chinese to the exclusion of the interests and wishes of all other Chinese people."
The Chinese official was

speaking just weeks before a deadline for President Bill Clinton to decide whether to extend China's "most favoured nation" trading status in the

The administration last year

called for "overall, significant improvement" in Beijing's human rights behaviour as a pre-condition for renewal of China's privileged trade access to the US market.

Mr Brzezioski, who was in charge of the 1978 negotiations leading to establishment of diplomatic relations between Washington and Beijing, was reported to be carrying a mes-sage to the Chinese leadership urging further concessions on human rights before the 3 June MFN deadline.

Pressures are building on Mr Clinton from human rights groups and the US Congress to impose penalties on China. But Mr Clinton has indicated that he favours MFN renewal.

China, meanwhile, continues to exert pressure on its dissident community with further detentions and little sign that its most prominent political prisoner, Mr Wei Jingsheng, is about to be released.

Mr Wei, who served 14 years of a 15-year sentence for counter-revolutionary actions before

detained in April and accused of "new crimes". His family fears that Mr Wei may be facing another long jail

China yesterday briefly detained leading student dissident Mr Wang Dan after he met a US television reporting team. He was released by Beijing police after being held for Mr Wang was taken from his

home after meeting reporters from the American NBC television network. His residence is under constant surveillance by Beijing's public security. China, in its continuing game of "cat and mouse" with

the Clinton administration over MFN, has recently released two high-profile dissidents on health grounds.

They were Wang Juntao and Chen Ziming, two of the so-called "black hands" behind the 1989 pro-democracy protests. These releases were seen as gestures to placate US

# LDP to try to unseat Japanese government

By William Dawkins in Tokyo

The likelihood of change of Japanese government this summer increased yesterday when the main opposition party confirmed it would seek to bring down the minority administration. Mr Yohei Kono, president of the opposition Liberal Democratic party. warned Prime Minister Tsutomu Hata

he must resign or face a no-confidence

vote as soon as the budget for this year

clears parliament.
The budget, delayed by an LDP boycott and the power struggle unleashed by last month's resignation of Mr Morihiro Hosokawa, the former prime minister, is now expected to pass parliament by mid-July.

Mr Kono's warning suggests for the

first time that a previously undecided LDP is ready for an election. Until yesterday, the Social Democratic party. the second largest opposition group, was the only main party to call for an early poll. The SDP hopes to regain some of the seats it lost in last July's election, while the LDP seeks a comeback, after the end last summer of its

38 years in power.
"You should be fully aware that you do not have the mandate of the people." This abnormal state of affairs must be normalised." said Mr Kono yesterday. The LDP and SDP together can easily outvote Mr Hata's five-party alliance. The government commands just over 190 votes in the 511-seat lower house. If he loses a no-confidence vote, Mr Hata must resign or call an election.

#### Machinery order pick-up adds to recovery hopes

By William Dawkins

A tentative sign of Japanese economic recovery emerged yesterday with a 10.3 per cent increase in machinery orders from February to April. The improvement suggests a three-year decline in capital investment by Japanese industry is coming to an end, the governent's Economic Planning Agency said. Private sector machinery orders feil by 0.2 per cent in April, compared with the same month last year, a sharp slowdown on the 8.9 per cent annualised decline reported in March.

This brings the growth in orders for the first quarter of this year to 6.6 per cent, from the final three months of 1993. well above government forecasts.

The agency warns it expects a sharp 13

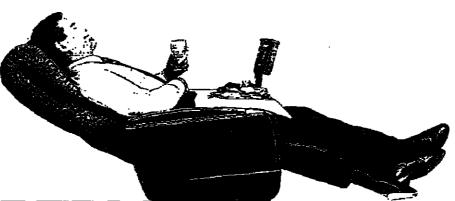
per cent fall in the current quarter, but this does not change its view that the worst, for machinery orders, is over. The same, however, cannot be said for corporate bankruptcies, which continue to rise, according to the latest monthly check by Teikoku Databank, a

credit research agency.

The number of corporate collapse with debts of more than Y10m (£64,000) rose by 1.9 per cent to 1,176 last month from April 1998, the 15th month when they have stood at above 1,000.

Separately, Japan's leading compa-nies plan to reduce the number of new recruits next spring by 18.1 per cent. according to a survey of 723 employers by the Nihon Keizai Shimbun economic newspaper. That will the fourth consecutive annual decline.

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In fact, you could hear a pin drop, if it weren't for the deep pile carpet.

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The system produces 180 watts maximum power. (Well, there is a lot of silence to fill.) And, as if it isn't already a system to make even audiophiles question their domestic listening arrangements, it can be upgraded further. With a remote six-disc CD auto-changer.

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Certainly it can if it's indicative of the unheard of lengths the maker has gone to in developing the whole car.

Unfortunately, we can think of only one car which qualifies. See your Lexus dealer for a sound check.



# tacks and Lexus LS400

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By Canute James in Kingston

President Joaquin Balaguer of the Dominican Republic took an early lead yesterday as day's election, opening the prospect of a seventh term in office for the veteran leader.

With about one third of the 3.3m votes counted. Mr Balaguer's Social Christian Reform Party had 43 per cent, with the Dominican Liberation Party of Mr José Francisco Peda Gomez, on 41 per cent.

The count was accompanied by charges of fraud and irregu-larities from the Dominican Liberation Party and others contesting the election.

Mr Peña Gomez said vester day he would ask for new elections in several provinces where many people, most of whom he claimed were his party's supporters, were unable to vote. The election was subject to "major fraud" perpetrated by the ruling party, he said. Reform Party officials yesterday dismissed the charges as

Hundreds of thousands of voters were prevented from casting ballots on Monday either because their voting cards were confiscated by the military and the police, or because their names were not on lists of voters.

Mr Peña Gomez, who is black, claimed that many of those prevented from voting were told that they were not Dominicans but illegal immigrants from neighbouring

The elections commission extended voting by three hours on Monday night following the

Public opinion polis before the election indicated a close win for Mr Peña Gomez, 54, a social democrat and a former mayor of the capital Santo Domingo. Reform Party officials always maintained Mr Balaguer, 87, would win.

Political tension was high vesterday as the votes were being counted. The army imposed an undeclared curfew in several cities following outbreaks of shooting.

# Disgraced former mayor joins Washington race

Mr Marion Barry will this weekend declare himself a candidate to be mayor of Washington, DC, the job he left in disgrace four years ago after

being arrested for use of narcotics. Mr Barry, who subsequently served a prison term, was re-elected to the city council in 1992 representing Washington's poorest district. He is given at least an outside chance of

to victory in November since local Republicans are insignificant in

The likely field of local black leaders also includes Ms Sharon Pratt Kelly, the incumbent mayor, and Mr John Ray, an at large city council member. There is no provision for a run-off election after the primary which means, as was Mr Barry's forperson field with little more than one third of the vote.

Mayor Kelly is widely considered to have been a disappointment, especially by the city's whites, a majority of whom supported her in 1990. One recent city-wide poll found twothirds believing she did not deserve a second term. She is blamed for failing to attack both the crime wave

ing federal assistance. Several senior aides have recently been fired or

Mr Ray is probably now rated the favourite since he seems to have been the principal beneficiary of Ms Kelly's declining support. He is expected to run a less passive campaign than he did in 1990, when he sought to balance his appeal

winning September's Democratic tune in 1978, that the mayoralty can and the city's budgetary deficit, between blacks and whites and was party primary, which is tantamount be won in an evenly divided three which leaves it on the verge of seek upstaged by Ms Kelly's campaign to clean up the Barry mess.

Mr Barry's three terms, from 1978-90, could hardly have been more controversial, even before his demise. A well-known community and civil rights activist, he cut a flamboyant figure, preaching black pride and awarding city contracts to minority companies, but simulta-neously alienating both the federal

Caribbean urged

government and Congress, on whom Washington depends for about 20 per cent of its financial needs.

But his grassroots support in the overcrowded and run-down housing precincts remained strong, as witnessed by his easy council victory two years ago over an apparently formidable black female opponent He claims now to be a reformed nerson, with a new marriage, and his drug addiction behind him.



Gen Raoul Cedras (1) and Jean-Claude Duperval of Army High Command at investiture of the cabinet of president Emile Jonassaint (r) - Reader, AP

Mr Robert Malval, Haiti's acting prime minister, has denounced the country's military rulers after six months of silence, Canute James and agencies report from

He called on Gen Raoul Cedras and his fellow officers, who have refused to bow to international pressure, to resign and allow the return of Mr Jean-Bertrand Aristide. the president who was overthrown and sent into exile almost three . 81-year-old judge installed by a small

years ago. "You have locked our country in the darkness of night," an angry Mr Malval told Gen Cedras. "The time has come for you to leave so that a new dawn may break for the Hai-

armed forces of Haiti." His attack followed the usurpation of his powers by Mr Rmile Jonassaint, an

tian people. Morally, you are not worthy

of the title of commander in chief of the

dent last week. Mr Joussaint appointed a clique of extreme right-wingers and nationalists to his cabinet on Monday. In failing to name a premier, Mr Jonassaint assumed the duties of head of state and head of government. Separating those powers was the chief intent of Haiti's 1987 constitution, approved overwhelmingly by Haitians a year after they rose up to end

economies, the bank which is based in Barbados, said that the medium-term prospects for Caribbean economies were not encouraging due to increased group of lawmakers as provisional presipressure on both the private and public sectors to become more open and more efficient

of trade liberalisation. Without sustained growth in the industrialised economies and changes in domestic eco-nomic policy, the Caribbean region can expect no better than the moderate levels of the 29-year Duvalier dictatorship. growth which most countries

remained tight Growth rates of between 7.5 per cent and 3.5 per cent in gross domestic product were recorded last year by some

aribbean governments the bank reported. Lower than must continue to expected earnings from banana exports adversely affected growth in the Windward Islands of Dominica, Grenada, St Lucia and St Vincent, the report continued.

to continue reform

Canute James reviews the CDB report

Jamaica recorded low growth because of marginal expansion in bauxite and agricultural commodities, while Trinidad and Tobago's economy contracted because of the weak state of the international market for oil, the country's main export.

in order to meet the demands Tourism will be one of the first sectors to show improvement

restructure their econo-

mies in order to deal with

rapid changes in the global

environment, according to the annual report of the Caribbean

Development Bank, published

In a review of its members'

in the region recorded last "The resumption of ecoyear, the bank cautioned. nomic growth in North Amer-The bank said that whilst ica had a positive impact on visitor arrivals in a number of some of its borrowing members member countries," the report noted. While most resort counrecorded relatively high levels of growth last year, the majority turned in a disappointing performance "with growth remaining in the lower tries in the region benefited from the increase in stay over visitors and cruise ship calls ranges." Ünemployment rates last year, the industry in the stayed high and the fiscal situ-Bahamas remained weak, the ation of many governments bank said.

The tourism sector will be among the first to reflect an improvement in the resumption of growth in the main markets, the CDB predicted. countries, including Guyana, Fluctuations in the dollar the Cayman Islands and Belize, exchange rate led to a decline

exports, particularly from the Windward Islands. The industry was affected by changes in banana marketing arrangements in Europe, "which will at the outset provide increas access for lower cost Latin American fruit and eventually result in the phasing out of preferential market access from traditional countries,

said the CDB. Cumulative sugar production in the bank's members last year was 732,000 tonnes, three per cent less than 1992 production. The largest fall of 10 per cent was in Barbados, while the biggest absolute decline was in Jamaica where production fell 7.900 tonnes.

A fall in crude oil production in Trinidad and Tobago will continue, said the bank, "with the outlook for international prices not being particularly encouraging given the inability of Opec members to limit out-put to agreed production quo-tas, and given the likelihood of the eventual return of Iraqi production to world markets. Weak international prices for aluminium depressed the mining and refining of bauxite in Jamaica and Guyana last year,

the report noted The bank concluded that the region is likely to find increasing difficultly in obtaining external funding, citing the trend for traditional donors to now consider what they perceive as more pressing needs in eastern Europe and Africa.

# Lucas pays \$12m to settle US claim

By Paul Cheeseright

Lucas Industries, British-based aerospace and motor components group, is to pay the US Defence Department \$12m (£8m) to settle claims that it provided US forces with faulty equip-

A settlement reached with the US Attorney's office in New York provides for Lucas not only to pay the money but

Uruguay Round, they are anx-

ious to keep the advantages of trade preferences which help

them compete with more effi-

cient industrialised country

Unctad has called for

increased preferential margins

and duty-free treatment for

Third World goods following the Uruguay Round deal.

are also being urged to extend

and textiles where import quo-

tas will be scrapped or phased

out under Uruguay Round

almost 20 per cent in 1992 to \$77bn and is thought to have increased further in 1993,

Trade under the GSP rose

There are 16 different prefer-

ential schemes benefiting over

160 developing nations. Trade

under these schemes has risen more rapidly than trade in gen-

However, developing coun-

tries have long complained

eral over the past 20 years.

GSP benefits to farm products

Preference-giving countries

also to admit guilt of falsifying the results of tests on certain of its products and to keep in place procedures to make certain there can can be no repetition of the claims.

This agreement, which Lucas said yesterday would be placed before a federal court, brings to an end two years of FBI investigations. It removes the possibility of court proceedings against Lucas Aul. a US subsidiary

of the British group. The investigation sought to establish whether Lucas Aul supplied defective missile

launching components and military radios which failed meet specifications. The Components are used in Maverick ground-to-air mis-

Mayericks were the cause of 16 Allied deaths in two "friendly fire" incidents, on January 29 and February 26 1991, during the Gulf War. But the US authorities made clear there was no link between these deaths and the defective equipment.

Lucas acquired Aul in 1986. Many of the procedures for testing the components were in place before then. So were the Pentagon supply contracts. Lucas has been seeking to build up its US defence sales which are now worth about

#### **NEWS:** WORLD TRADE

# Pact erodes tariff aid for Third World

By Frances Williams in Geneva

Tariff cuts agreed in the Uruguay Round of global trade talks will lead to big reductions in the value of special trade preferences for develop ing countries and erode their competitive advantage, according to the United Nations Conference on Trade and Development (Unctad).

A report to this week's meeting of Unctad's committee on preferences estimates that preferential tariff margins on imports will be cut by about 23 per cent in the European Union, 15 per cent in Japan and 9 per cent in the US. Trade covered by the Generalised System of Preferences

(GSP) will shrink by some 17 per cent, because of new zero duties agreed in the Uruguay Round, to about \$120bn (£80bn) in the three main trading groups.
The preferential share of

exports from developing nations to preference-giving countries will drop from 39 to 32 per cent, Unctad predicts. Though most developing countries will benefit from the

for conferences

that the GSP is too restricted in scope and operation. Only half dutiable exports by beneficiary countries are covered, general lowering of tariffs and and only half of these actually other import barriers in the receive GSP treatment.

#### US top venue | ABB in \$100m German deal

The US held its position as the Asea Brown Boveri, the Swiss-Swedish heavy engineerworld's leading venue for ing group, said it received an order valued at around \$100m international conferences last year, with the UK replacing (166m) to supply and install components for a residual Spain in second place, said the International Congress and Convention Association, writes waste incineration plant Michael Skapinker, Leisure at Niehl, near Cologne in Industries Correspondent. Germany, AP-DJ reports from

The US had a 7.2 per cent Zurich. The order was placed by L.C. share of international meet-Steinmueller of Gummersbach, ings with more than 100 participants in 1993. the general contractors who The UK moved from 5th are responsible for the turn-

place in 1992 to second last key delivery of the plant, the year with 6.9 per cent. Germany was third with 6.3 per ABB said the plant, which cent, up from fourth in 1992. is scheduled to start operating France fell from third in 1992 in 1997, would be run by AVG, to fourth last year with 5.6 per a waste exploitation and discent. Spain fell from second in posal company based in 1992 to fifth with 4.9 per cent.

# Asia offers Wiser US to meet chastened Japan Wiser US to meet chastened Japan western exporters

Asia could form a powerfui trade bloc against the European Union and members of the North American Free Trade Agreement if its goods were shunned by the two groups, Mr Goh Chok Tong, Singapore's prime minister, said last night.

In a warning against protec-tionism, Mr Goh criticised western politicians and trade unionists who saw Asia's rapid economic expansion as a threat rather than an opportunity. He urged industrialised nations to "ride on the growth of Asia" by exporting high-technology and high-quality

Opening a conference on Asian business in Singapore. Mr Goh said that to block Asia's emerging economies, especially China, from world markets would force them to turn inwards, stunt their growth, lead to "a more aggressive and destabilising military posture", and threaten western assets in

Even a less confrontational western stance, with the EU looking inward and Nafta looking only southward, would force Aslan countries to trade increasingly between themselves, Mr Goh said.

"Asia has the capital," he said. "It saves more than the rest of the world. Its growth will be slowed, but it will not be stopped. An Asian trade bloc is not an option of choice. But it is a viable option." Mr Goh joined the chorus of Asian leaders who have con-

demned western attempts to

curb imports from low-wage

countries by linking workers' rights to trade negotiations. Among his few words of comfort for the west was the assertion that emerging Asian economies were unlikely to run the sort of trade surpluses seen in Japan and Taiwan, because countries such as China and India were not suppressing consumer demand as Japan did in the early stages of development. By the end of the decade, he said, east Asia could have an annual current

#### Nancy Dunne and Michiyo Nakamoto preview the resumption of trade talks t is an older, perhaps wiser, Clinton administra-L tion awaiting the arrival tomorrow of a somewhat chastened Japanese trade team

whose mission it is to help salvage the US-Japan trade relationshin. Both sides have had more than three months to reflect on the consequences of the break-down of bilateral talks. The mood is slightly more optimistic than when talks broke down in February at the summit between President Rill Clinton and Mr Morihiro Hosokawa, the former Japanese

prime minister, over Washington's insistence on specific indicators to mark the progress of market-opening deals. Yet even at this stage, there are few signs that substantial progress can be made. Mr Mickey Kantor, the US trade representative, says he has been promised a new plan

by Mr Tsutomu Hata, Japan's

new prime minister, which would address the question of "objective criteria" for measuring market access.
"We have passed the ideological issues," said another administration official. "They know we don't want managed trade. The issue now is can we find a way to negotiate around

reality. In the sombre halls of Tokyo's ministry of international trade and industry, officials have allowed themselves to be encouraged. "The US is sending positive signals in that its rhetoric is no longer as heated as it used to be," says one trade official. "If we are realistic, and don't set the hur-

Japan should invest more in domestic public infrastructure to prepare for its ageing population and reduce the country's widely criticised current account surplus, according to the government's 1994 white paper on trade, reports Mich-

iyo Nakamoto from Tokyo. Japan's current account surolus has largely been recycled overseas, but given the rise in Japan's elderly population, the surplus should be invested at home to create the national assets necessary to support future public life, the white paper points out.

dles too high from the start, then we may be able to discuss what is needed in order to begin talks on restarting the negotiations.

The US and Japan each have their own reasons for needing to find a way forward. Both have been jolted by the tumbling dollar and climbing yen and Japan remains mired in

As Japanese trade officials admit, recent market turmoil has highlighted the negative impact that the chill between Washington and Tokyo has on the markets and on the rest of the world.

"We realise that our actions have an impact on the markets and that for two of the higgest economies in the world to continue to have strained relations is not a good situation," said

Japanese bureaucrats are also sensitive to criticism that their intransigence over quantitative indicators of progress

By 2025, the number of Jananese over 65 compared with those between 15 and 64 will rise to 43.2 per cent against 17.3 per cent in 1990, says the white paper, published annually by the Ministry of International Trade and Industry.

Public infrastructure investment in Japan is still very low. Sewage penetration, for example, is lower in Japan than in Singapore, which invests 41 per cent of GDP at home. The white paper calls for greater investment in housing, public infrastructure, includ-

ing information infrastructure in opening Japan's markets to foreign products and services

might have been a factor in pushing things to the brink. Next time round, they say, we don't intend to take an inflexible stance". President Clinton is being

criticised at home by the right and the left who say he is running messy and contradictory foreign and trade policies. Japan's Asian neighbours have expressed concern about the uncertainty. Trading partners in Europe are also worried Although neither side can

afford another failure, there is little evidence that either will sharply change course. What may be under way is a shift in emphasis from the disputed numerical "indicators" to an emphasis on macro-economics.

The US set out in April a basis for restarting the informal talks. It wants a commitment by Tokyo to a relatively long period of consumer-led growth and three macro-eco-

Increased housing investment, in particular, should contribute significantly to cutting the gap between savings and restments. It also points out that price differentials between Japan and the rest of the world stem not only from differences in quality and dis-tribution costs but from different husiness practices.

This has kept prices high even as the yen's value has been appreciating, the white paper says, forcing Japanese companies to move manufacturing overseas.

nomic steps; continued income tax reductions and public investment; increased access for competitive foreign products and services; and objective criteria.

For Japan, progress on the first point, along lines that would satisfy the US, is politi-cally difficult. While the trade ministry believes that more should be done on the macroeconomic side to stimulate the economy and thereby trade, this will require a difficult decision from a government that is fighting for its survival.

Further tax cuts without a guarantee that the revenue shortfall can be made up for through alternative taxes, is strongly objected to by the ministry of finance, which wields enormous power over both the political establishment and bureaucracy.

But raising Japan's consumption tax to make up for that shortfall, a scheme favoured by the finance minis-

try and some politicians, is strongly opposed by the Social and in service industries. Democratic party whose co-operation is crucial for the

minority government. Dr Paula Stern, a former adviser to President Clinton said the administration would probably get concessions on sectoral deals and numerical targets. Washington should be playing to those forces in Japan which have wanted faster growth and deregulation,

But despite Miti officials' claims of flexibility, there is unlikely to be any substantial change in their opposition to numerical targets for measuring market-opening. "There are things that we can give on and

things we cannot give on." Deregulation is perhaps the key area on which the two sides can make progress. It is central to the trade ministry's plans for taking the talks forward. The Japanese govern-ment will announce by the end of June specific plans for deregulating the country's markets to improve access and stimulate the economy. It hopes these measures will convince the US that it is serious about

opening its markets further. What needs to be done is to leave the rhetoric behind and look at what is realistically feasible, suggests a Japanese trade official. "The US knows what Japan fears. We know their frustrations," he says. The key to progress lies in whether each side can constructively explore a way for ward that takes these concerns and frustrations into consider-

# Scotch whisky producers take on Tokyo

By Paul Abrahams in Tokyo

Five centuries after their first skirmish with the Scottish exchequer, Scotch manufacturers are still struggling with the tax man, but their opponent now is Japan's finance ministry.

Mr Hugh Morison, director general of the Scotch Whisky Association, is in Tokyo to lobby against what whisky makers say is a discriminatory tax

Whisky, like other imported spirits such as bourbon and cognac, is taxed um to six times higher than shochu, a domestic drink made from sweet potato

which controls about 67 per cent of the Japanese spirit market.

This discrimination is in spite of a 1987 ruling that declared that Japan's liquor tax system contravened Gatt. The findings were accepted by the Japanese government in 1989, but little has

changed since then," he says. Japan is the world's fourth largest Scotch whisky export market after the US, France and Spain. But imported spirits account for about 8 per cent of the Japanese market, compared with an average of 30 per cent in other industri-

"This is a pretty blatant breach of a

Gatt ruling by one of the world's main trading nations. It's the worst case of discrimination in any of the Scotch export markets," says Mr Morison.

Japan argues that shochu is part of the national culture because it is made by small rural distilleries across Japan. But Scotch makers insist that more than half of all shochu is made by six large industrial groups involved in other activities such as pharmaceuti-

Japan says its taxation system is moving in the right direction. Since 1989, the difference between the tax on whisky and shochu koh, a down-market

version, has fallen from a ratio of 1:16 to 15, and dropped to 1:4 tinder rules

introduced on May 1.

Scotch whisky sales have done particularly bailly during Japan's worst post-war recession: Sales in Japan fell 22 per cent last year from £178m in 1892 to £139m, while volume dropped 13 per cent from 18.5m litres of pure alcohol to 16.2m litres

Mr Morison says the tax distortions have meant Japanese consumers switched to lower cost products such as shochu whose sales ended a five-year decline in 1992, rising 4.4 per cent, and 5.5 per cent in the first half of last year.





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# CBI chief in scathing attack on Brussels

The outgoing president of the Confederation of the British Industry employers' organisation yesterday delivered a blistering attack on the European Commission, claiming that Brussels was hampering UK business interests by excessive regulation and out-dated "fifties-style" policies.

In a clarion call to the UK Euro-sceptics, Sir Michael Angus accused the commission of ignoring the views of European businessmen. and called on the UK government to "take up the cudgels" of industry.

"Doubts have once again begun to set in as to whether the community is capable of adopting an agenda that makes a positive contribution to the ability of businesses to face intense global pressures," he said.

If European legislators introduced any more anti-competitive initiatives they should simply "go into a dark room, lie down, and keep taking the tablets," he quipped, as he spoke to the CBI's annual dinner.

The unusually provocative speech, which marks the swan-song of Sir Michael's two-year term as CBI president, cited five main areas where the listen to business views.

The first was the white paper on competitiveness and growth, drawn up by Mr Jacques Delors, commission president, last year. This had had a "disappointingly thin" follow-up, Sir Michael said. But when he had tried to raise these criticisms with Mr Padraig Flynn, social affairs commissioner, he had been shocked by Mr Flynn's "outdated" focus on industrial relations.

"You don't fish in the fifties to address the issues of the nineties," Sir Michael said, accusing Mr Flynn of

using language that had not been heard "since Harold Wilson's time". The second target was the green paper on social policy, which was accused of paying too little attention on the task of getting Europe's 20m

unemployed back to work. The commission's attempts to introduce the European Committee directive on employee information and consultation provided another bone of contention - the directive would erode the competitiveness of European companies and leave US busien "chortling".

Fourthly, the proliferation of anti-

ing the European industry, Sir Michael said. In an attack that refrained from mentioning that the UK itself had recently won permission for large state aids to a Belfast textile factory, he accused the commission of undermining competitive policy in areas where the UK was strongest - the airline industry, steel sector, telecom-

munications and energy. Finally, Sir Michael concluded, the commission was failing to get to grips with its own spending policy, produc-ing a "dismal catalogue of fraud and

Britain in brief

#### Missile price may rise, MPs warn

The UK should speed up purchases of US mucles missiles for its Trident submarines because the cost may rise sharply, the House of Commons Defence Committee said vesterday.

The government has ordered 44 of the missiles and has said it will buy about 24 more over the next four to six years. The committee warns that the unit cost of missiles sold to Britain will rise sharply if the US administration yields to congressional pressure and scales back its own procurement. While the UK government had already added m to its estimate for missile costs, that could prove insufficient if this summer's US budget calls for a reduction of missile purchases by the US Navy, and the price

#### Concerns hit pension sales

consequently rises.

The number of people taking out single premium personal pension policies fell sharply by more than one-third in the first quarter of this year compared with the first three months of 1993. Figures from Insurers suggest that widespread concern about the possible mis-selling of personal pensions has hit sales of pension transfers.

#### Privatisation benefits queried

Privatisation did not significantly improve the productivity growth of most electricity distribution companies in England and Wales, the independent Centre for Study of Regulated Industries says.

That view conflicts with that of the industry, which says

efficiency improvements are one of the main benefits of privatisation. The centre's report appears ahead of a review by the industry regulator into the distribution sinesses which will set price controls. The report says the regulatory regime set up at privatisation was probe too lenient and did not offer sufficient incentives to improve efficiency.

#### **Bidders** named for poster arm

Four bidders for London Transport Advertising, the poster subsidiary with a turnover of about £23m, have been shortlisted: a management and employed buy-out; More O'Ferrall, the UK's largest outdoor advertising contractor, a consortium led by Transportation Displays, the US transport advertising company; a consortium led by Primesight, the UK poster company and Giraudy, France's largest outdoor advertising company.

#### Docklands buyer found

South Quay, a large part-finished office building opposite Canary Wharf in London's Docklands, is believed to have been sold to an overseas buyer for about £7m, a tenth of its cost. The 360,000 sq ft development went into receivership in May

#### Acquisition spending falls

The value of acquisitions in the UK fell by 5 per cent in the first quarter of the year. Expenditure on acquisitions fell from £2.8bn in the final quarter of last year to £2.7hn in the first three months of 1994, according to the Central Statistical Office. The number of UK acquisitions by industrial and commercial companies rose slightly between the two periods, from 164 to 176.

Cash expenditure on acquisitions accounted for 46 per cent of the total, down by 87 per cent, with the remainder coming from issues of ordinary

# reform Policy rift with Bank denied by chancellor

Mr Kenneth Clarke, chancellor. last night sought to quash suggestions that he and Mr Eddie George, governor of the Bank of England, differed on policy, asserting that they share the same aim of low inflation and sound money". Stressing his belief in a

"business-friendly govern-ment", Mr Clarke said he would continue to set fiscal and monetary policy "as toughly and decisively as I have to" with the aim of "low inflation on a permanent basis and healthy public finances".

Addressing the annual din-ner of the Confederation of British Industry employers' organisation, he admitted the government had a political problem because the UK economy was recovering "without a feelgood factor".

But, using words that echoed those of Mr George in a speech last week, he said: "Too many people still hanker after the go-go growth of living stan-dards they enjoyed in the years of boom. Well, this chancellor does not want a boom because boom gets followed by bust."

In a move to counter reports of differences with the governor over interest rates and Mr George's hawkish anti-inflation stance, Mr Clarke said he remained firmly committed to keeping underlying inflation in the 1 per cent to 4 per cent band and bringing it within the lower part of the band by the end of this parliament.

He had, he said, allowed the Bank to publish its own quar-terly inflation report and insisted on the publication of genuine minutes of his monthly monetary meetings with Mr George to improve the credibility of policy.

Stories of differences with Mr George were "a little coloured", he said. Britain's low inflation level

had been hard won and "the governor and I are equally determined that it should not be jeopardised by any lack of monetary discipline in the upturn," Mr Clarke said. The government remained "absolutely resolute" in its determination to control public spending and cut public borrowing, he added. "Tax cutting will come on to the agenda again but only we have got the other things right."

The chancellor also said the UK should not lose self confidence over Europe, claiming that Britain's improved economic performance could win influence and help the government in its aim of creating a European Union that is good for UK industry and entrepre-



# Brewers in a froth over beer imports

By Neil Buckley

Horse-drawn and steam-driven brewery drays converged on the seafront in Dover yesterday, in a protest by independent Family Browers of Britain.

The organisation, which includes some of the oldest UK brewers, was highlighting the threat posed to traditional bears and pubs by cheap imports of beer from continental Europe, where excise duties are much lower than in the IJK.

The Brewers and Licensed Retailers' Association estimates 1.25m barrels were imported last year - equal to the total sales of 4,500 pubs. But Sir Paul Nicholson, chairman of Vaux, the Sunderland brewery, recently put the total even higher, at 2m barrels.

including wines and spirits, the total value of alcohol imports from continental Europe last year is estimated at more than £1bn, costing the Treasury £470m in lost duties and VAT.

Brewers and drinks manufacturers say many cross-channel travellers are bringing in far more drink than they could consume themselves - in contravention of new rules which were introduced with the advent of the single European market last

They are calling for a reduction in the UK rate of excise to encourage British consumers to buy their alcohol at home, and for tougher action from Customs and Excise to stem the "bootleg" trade.



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Transport Correspondent

A call for urgent action to improve the safety of ships and reduce the danger of pollution of the seas was made in an official report published yester-

Lord Donaldson's inquiry into the prevention of shipping pollution, launched in the wake of the sinking of the oil tanker Braer off the Shetlands, has produced more than 100 recommendations improved safety procedures.

Braer, a Liberian-registered tanker, spilled 85,000 tonnes of Norwegian oil into the sea off Shetland in January 1993 after seawater entered its diesel tanks and caused engine The report, Safer Ships,

Cleaner Seas, finds "a pressing need for the UK to take new initiatives internationally, regionally and nationally". In response Mr John MacGre-

gor, transport secretary. announced plans to shame shipowners into raising stan-dards by publishing details of sub-standard ships which call at UK ports. A monthly list will reveal the names of the detained vessels, their defects. flags and owners.

Lord Donaldson and his inquiry team said they "were surprised and alarmed at the number of potentially serious incidents which took place during the course of the inquiry, Although none resulted in serious pollution, it was largely a matter of chance that they did

The report identified human failings as the cause of virtually all accidental pollution

to improve the standards of maintenance and operation. Its specific recommendations

 A tougher system for inspecting ships when they arrive in port. They would have to give 48 hours notice of arrival at European ports, where they would be given a thorough inspection. An increase in the number

line, which can respond quickly to emergencies. Improved sharing of information between charterers, insurers, shipping agents and regulators on the standards of different ships and fleets. This

of tugs around the UK coast-

would mean substandard ships would have difficulty finding cargoes and increase their insurance premiums. • Better identification of ships at sea by painting their

their sides and decks. Ultimately ships should have carry transponders. The creation of Marine Environmental High Risk Areas, a small number of areas which were both environmen-

international radio call sign on

tally sensitive and also on busy shipping routes. The inquiry, one of the first to attempt to cost its recommendations, said these measures would cost about £10m with the bill to be shared by

the government and ship-Numast, the ships' officers union, said it was concerned that planned cutbacks at the department of transport's marine safety agency would undermine the inquiry's recommendations.

# Braer report |Lloyd's is still shivering from US exposure



Peter Middleton, Lloyd's chief executive (left) and chairman David Rowland yesterday. Mr

done its best to soften ✓ the impact of its 1991 losses on the Names, whose assets have traditionally supported the market.

Nevertheless - despite some encouraging signs - yesterday's figures also provide evi-Richard Lapper dence of some worrying trends, especially in relation to the market's exposure to US asbestos and pollution claims.

The identification of a substantial "double count" in both the 1991 and 1990 results is probably the most welcome news for Names – £533m of the 1991 loss and £596m of its 1990 loss has been counted twice, reducing losses for the two years from £5.4bn to £4.3bn

respectively.

Approximately £268m of the 1991 "double count" has emerged on errors and omissions policies, which cover agents against legal awards for

The remainder, some £265m, has occurred on personal stop loss - a personal reinsurance policy bought by Lloyd's lames – and estate protection plans – policies which cover the liabilities of deceased

Lloyd's is also holding out the prospect of further reductions as it seeks to eliminate other forms of "double counting". These include the losses on catastrophe reinsurance syndicates, which specialised in so-called "spiral" business, covering the high level risks of other Lloyd's syndicates and

Mr Peter Middleton, chief executive, said: "We've got to get to grips with dual notification of claims. We think there is quite a lot going on which we have to get a handle on." Other positive signs include piedges to accelerate tax recoveries and payments of stop loss

Lloyd's is also holding out the prospect of jam tomorrow for Names, following increase in rates. Mr David Rowland,

loyd's of London has Names remain under pressure despite some encouraging signs, writes

> uring at Lloyd's had resulted in "a much leaner, fitter generation of surviving underwrit-

"It is encouraging to note that nearly two thirds of the capacity in the Lloyd's of 1994 is in the hands of syndicates which made good profits in

Confidence is so great in this respect that the market is again allowing Names to borrow a percentage of profits from the current year of account - an amount equal to per cent of their premium income limit - to meet past

Additionally, syndicate managers are being encouraged to delay cash calls on Names wherever possible.

From the market's point of view agents and underwriters can take comfort from indications that the 1991 loss will prove to be more widely spread than in recent years. Mr Rowland said this "makes the possibility of recovery easier than if it were concentrated on fewer heads."

Members of syndicates spe cialising in catastrophe reinsurance were hit by claims from disasters such as Hurricane Hugo in the Caribbean and the European winter. storms of 1990, have borne the brunt of the 1989 and 1990

In 1991 the marine market, which was heavily exposed to catastrophe business, reduced its losses for the year by about 50 per cent to £452m (£892.9m), for example.

But even though Lloyd's may be beginning to emerge from its immediate problems, the legacy of past involvement in the US, where syndicates were leading underwriters of liability business, still casts a shadow over its

prospects. An increase in reserves for years prior to 1991 - mainly it seems from asbestos, pollution and other health-related claims - was the "single largest factor in the result", explained Mr

Increasing its reserves for years of account prior to 1991 by £1,042m, Lloyd's explained that claims from "asbestos property damage", which involves property owners ing asbestos from their buildings, were "coming in quicker than expected".

In addition there had been a "ballooning" of settlements on "asbestos bodily injury", which arise when victims of asbestosrelated diseases sue for dam-

ncertainty over the evolution of these claims has led to a rise in the number of syndicates which have been unable to close their accounts, with the number of "open years of account" rising from 162 at the end of 1991 to 317 at the the end of 1992 and 478 at the end

Lloyd's stresses that it is well-reserved, especially in comparison to US insurers, to meet these claims.

It is confident that its plans to establish NewCo. a reinsurance company into which all business underwritten before 1986 will be transferred, will prove to be successful.

There is optimism too, about the prospects of a reform to the so-called "superfund" laws. under which the US federal government can order business to clean-up contaminated land

of between £1.6bn and £1.7bn this year, can only hope

mg Kong

# by business says think-tank

By Gillian Tett

The Ecu should be used as a parallel currency, to allow business to deal in a single tender across Europe, a paper by a leading right-wing UK think tank argues today.

Published by the Institute of Economic Affairs, it claims needed by business given that savings from a single currency monetary union has receded to a distant dream.

Coming from a think-tank which once influenced Mrs Margaret Thatcher, former prime minister and arch Eurosceptic, the analysis may surprise some Conservatives.

The paper's authors, who have expressed these opinions Europe.

before, stress there are now powerful economic reasons for a united, parallel Ecu, irrespective of political rheto-

The present kaleidoscope of national currencies has been calculated to cost European business some Ecul5bn, the paper says with 55 per cent of companies agree could exceed 1.5 per cent of turnover.

Recent European Commission research suggests that many businesses are already using the existing abstract Ecu measure in their transactions, with the Ecu bond market the fifth largest in A parallel currency need not entail any loss of political sovereignty, the paper claims.

The key to their proposals is "hasket" Ecu, compiled from a weighted average of community currencies

That would require only minimal prior political agreement to introduce or manage. and coins could be issued by national banks or even private currency boards, instead of the European Monetary Inst-

The Road to Monetary Union Revisited; by John Chown, Geoffrey E Wood and Massimo Beber. The Institute of Eco-nomic Affairs, 2 Lord North Street, London. SW1P 3lB.

# Parallel Ecu badly needed | Savings-GDP ratio at lowest since 1945

The ratio of savings to gross domestic product in the UK fell to its lowest level since the second world war last year, threatening to undermine hopes of an investment-lead recovery, a new economic study warns.

The study, by Mr Peter Warburton and Mr Nigel Sedgley, economists with Robert Flem ing Security, calculates that year was only 15 per cent of the total GDP figure, largely due to public sector debt.

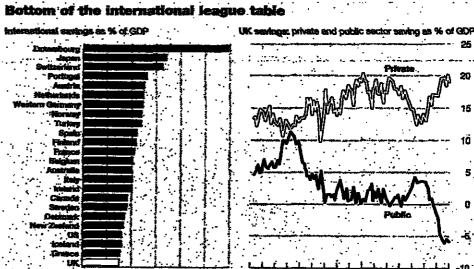
That proportion leaves the UK at the bottom of the 24-nation OECD league table for national savings ratios. With the latest public sector borrowing requirement figures due to be released today, this debt seems set to seriously under-

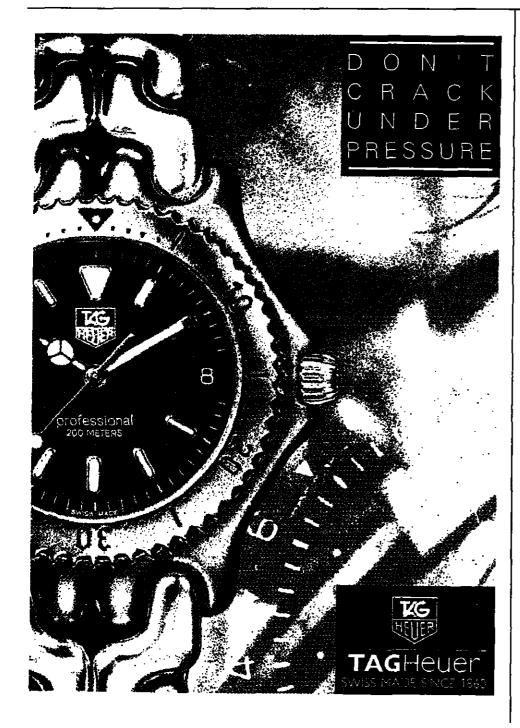
mine the hoped-for recovery in fixed investment the study

"The national savings figure does not get a lot of attention. But such a slow national savings ratio is a big drain and big constraint," said Mr Warburton.

He points out that the problem is almost entirely due to public sector debt, rather than low levels of private savings. which have started to pick up

With the Treasury already engaged in a review of savings and flow of funds, officials are insisting that the government is now making vigorous attempts to reduce the public sector debt and point to the recent undershoot in the Public Sector Borrowing Requirement as evidence of





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FINANCIAL TIMES CONFERENCES

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The conference will review exploration and production in the main sectors of the North Sea and consider the impact of current oil prices on activity in the province. Competitiveness and ways of reducing costs, operatorcontractor relationships and abandonment will also be discussed.

For further details, please return this advertisement, with your business card to:

The Financial Times Conference Organisation, P O Box 3651, London SW12 8PH.

# Waste swap shop

industrial waste that would otherwise have been dumped is being recycled, thanks to a small UK company, Waste Exchange Services, based in Stockton-on-Tees, James Donaldson, head of WES, brings together waste-producers and companies that can use the waste. He expects to have; arranged uses for 30,000 tonnes a year soon, saving industry an estimated £500,000. His

clients include BP, National Power and ICI.
Donaldson says waste is only valuable if someone within a reasonable distance can use it, and the deal helps the waste provider and the user. He has built up a database of 1,500 companies offering or able to use waste and publishes a catalogue listing materials wanted or on offer. He is also raising money from outside

investors to develop new One of his most innovative projects is the world's first plant for recycling the silica gel used to keep electronic equipment dry. He also sent 50 tonnes of inless steel rings discarded by an oil refinery to a chemical company that was upgrading its process towers. Ammonium fluoride intended, but not mitable, for the electronics industry went to a metals company. A textile factory is producing sulphate of ammonis fertiliser from the absorption miphuric acid. Chemical waste is used to make cement. Previously unwanted lead oxide dust from British Steel goes to a lead recycler. Selenium from old photocopier drums goes into

metal alloys. Donaldson used to be a chemical engineer for Davy McKee. He set up his own: company when ICI asked him to design a recycling plant. The ICI contract gave him the cash to get going. He now charges 25 per cent of first-year savings from his exchange deals, and hopes turnover will exceed £100,000 this year.

David Spark

elephone companies have long trumpeted the virtues of communication. Persuading people to dial more numbers helps to boost revenues. Now, however, they are starting to latch on to the environmental argu-

ments for increased phone use.
At a conference held by the Royal
Society of Arts, senior managers in the industry agreed on a number of actions, including the more aggressive promotion of videoconferencing and telecommuting as a means to cut down on environmentally dam-

iging business travel.

Delegates resolved to build on the industry's "clean" image to contrib-ute more to the debate on sustain-able development. Their first action will be to issue a joint global environmental policy statement.

The telecommunications sector is going to be critical in achieving [environmental] sustainability," says Braden Allenby, a research vice-president at AT&T in the US. "It is the ethical responsibility of our industry to address these

The new emphasis could have profound implications for the transport and travel industries.

Although telecommunications is not perceived as a leading polinter. manufacturers also announced their intention to improve the environmental qualities of their products.

Those companies which address environmental criteria at the design stage are likely to be the ones that stage are takely to be the ones that emerge with a competitive edge," says Colin Bicks, head of environ-ment and energy technologies at Britain's Department of Trade and Industry. British Telecommunications has given informal indications that it may take the lead in produc-ing a flagship "green" telephone

The RSA conference was intended as the first in a series of environ-mental design workshops covering "eco-design" in various industries; future seminars may cover white goods, office products, transport and building design.

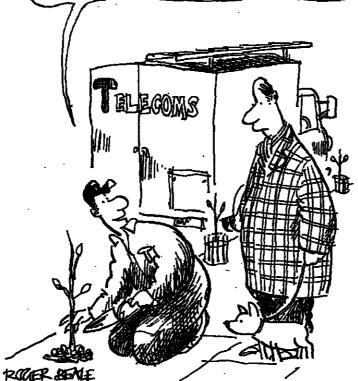
Telecommunications is not, per-

haps, the most obvious sector to pick for a first outing. People buy comparatively few phones, which are, in any case, small objects. In use, the equipment accounts for a scant 1.2 per cent of the UK's energy consumption, according to figures from BT.

In 1992, BT collected 2.9m telehones under its recycling scheme but complete disassembly and recycling of these products is not

Products designed to be taken apart and made of materials that could be recycled more efficiently than the present hard-moulded plastic could streamline the process, possibly transforming what is cur-rently a cost into a modest profit, according to David Mercer of the BT

THESE ARE OUR NEW ENVIRONMENTALLY BENEFICIAL TELEPHONE POLES—SHOULD BE READY IN ABOUT THRTY YEARS



# **Eco-design** on the line

Hugh Aldersey-Williams considers how telephone companies are tapping into green issues

design unit. In addition, telephones that work, but which users have reported as broken - known in the trade as "fault-not-found" - currently find their way into this recycling stream rather than being rescued for resale and re-use.

The fast growth of this sector is another reason for considering its environmental impact now. The volume of electronic data communication is forecast by BT to multiply a thousand fold in the first half of the next century, although advances in technology should ensure that its environmental effect does not increase commensurately.

Telephones and related products are well suited for snap-together plastic components that assist dis-assembly. Moulded eco-labels, like those widely used in packaging, could also be incorporated at the design stage, although it is not currently possible to eliminate all toxic materials and processes such as the

use of solders and solvents. Telefónica, the Spanish telecom-munications monopoly, is exploring the possibility of a questionnaire that will require its suppliers to state - and prove - the environmental impact of their parts and

In order to work at the pace required in day-to-day business, the questionnaire would invite respondents to fill in simple "figures of merit" on a check-list of materials and procedures.

These figures would be weighted according to the amount of material or processing and then added, with

or processing and then added, with scores for more general questions about a supplier's environmental policies, to arrive at a total figure. Such a procedure is more flexible than relying on standards which, because of both rapid advances in communications technology and changing views about relative environmental merits of particular materials, are often out of date by the time they are published.

The scorecard approach also means that designers are able to spend less time attempting the confusing task of weighing the relative environmental merits of materials and components that they might

The method could be taken a stage further, believes AT&T's Allenby. Rather than attempting to turn every designer into an environ-ment specialist, it would be possible to incorporate the data on materials into computer-sided design software so the most appropriate choice is made automatically for the task in

The evolution of such design methods means that giving greater consideration to the environment consuleration to the environment need not be an added cost. Such scrutiny of design, manufacture and reclamation processes can actually lead to unexpected savings, as Dutch companies found out through a year-long environmental manufac-

turing project. Hans van Weenen of the UN Environment Programme's Workshop for Sustainable Product Development in Amsterdam, said they made savings in both materials and energy costs of between 30 and 50 per cent across a wide range of product manufacturing, including office chairs, coffee-makers and car dashboards.

But perhaps the greatest potential for telecommunications companies lies in exploiting the relative envi-ronmental benefit of their services. The energy used in flying to New York and back is equivalent to five weeks on the telephone, according to Graham Davies, BT's head of corporate research. (He omitted to say, however, that such a call would cost around £20,000, enough to fund a fairly stylish trip.)

More telecommuting would bring cuts in transport use. There would also be a potential knock-on effect as telecommuters rediscovered the joys of more local amenities, feels Stephen Potter of the Open University's technology faculty, thus cutting the length of many other journeys as well as reducing the number of trips to the office.

Iain Simpson looks at Hanoi's complex recycling network

# Survival in scrap metal suburb

espite its low level of economic development the Vietnamese capital Hanoi has a sophisticated network for waste re-use and recycling. From individual rubbish collectors to large industrial plants, more than one third of the hundreds of tonnes of waste produced

in Hanoi every day is re-cycled In more prosperous western countries, recycled paper and glass products are popular and fashionable. In poorer countries like Vietnam, where thousands of people make their living by collecting and selling paper, plastic, glass and metal, recycling is a necessity and a part of daily

At a junk yard on the outskirts

Collecting scrap metal is a risky business in a country devastated by 20 years of war

of Hanoi, workers dismantle old trucks and sort through heaps of scrap metal. Different grades are sold on to be melted down and re-used as pipes and reinforcement bars.

The scrap metal trade is at the more lucrative end of Vietnam's recycling industry. Throughout the country, people collect discarded metal objects and bring them to places like the suburb of O Cho Dua to sell to the dealers' yards.

Collecting scrap metal is a risky business in a country devastated by 20 years of war. In a village outside Hanoi, a pair of bomb casings has been turned into gateposts, but every year dozen of people are injured and a few killed when they try to move unexploded bombs for sale as scrap metal.

In O Cho Dua, the recycled scrap is turned into building materials. Old reinforcement bars are beaten back into shape and newly-delivered tubes made from recycled waste are welded together, covered in plastic assembled and sold as shelving

in the city's roadside furniture

shops.

Along the streets of the capital, there is a well-organised system for collecting rubbish. Dozens of small, three-wheeled carts do their rounds throughout the day, clearing up waste. When the carts are full, they are emptied into large piles where scavengers pick out anything with a resale value.

go from door to door buying old bottles, jars, plastic and paper for a few cents. When one of them has a full load, they head for one of the hundreds of runk shops. These traders are the next link in the recycling chain. They buy piles of cardboard, baskets of bottles or bags full of scrap metal,

Elsewhere in Hanoi, old women

which they keep until they have enough to sell on to a bigger dealer or factory. All this waste will then be either sold for re-use or melted down and turned into something new.

As well as the scrap metal suburb, there are other areas around Hanoi that specialise in waste recycling. One is known as "plastic village" because almost all of its inhabitants make their living from collecting and selling plastic waste.

Outside one house is a foul heap of rotting plastic. The owner of the house says he makes good money by storing old plastic and then selling it on to a recycling plant. One of these small factories will make the plastic into soles for plastic sandals or melt it down to produce roofing sheets for the city's booming construction

Some of the better quality waste is simply sold for re-use. Plastic bottles and glass jars are sold for a couple of cents for domestic use or are taken back to the factory and refilled. There is even some cross-border recycling. Empty bottles of Chinese beer are collected and taken north across the border to be refilled.

Through a combination of poverty and enterprise, not much goes to waste in Hanoi and instead of being burned or dumped at an expensive land-fill site, much of the city's rubbish is put back

#### **PEOPLE**

#### Hong Kong billionaire joins Standard Chartered's board

Standard Chartered, the international banking group recovering after several years in the doldrums, has appointed Ronnie Chan, 43, one of Hong Kong's wealthiest property developers, as a non-executive director.

Chan, a US citizen who lives in Hong Kong, is the first of two new non-executives who are being recruited from a part of the world which produces the bulk of the group's profits. Patrick Gillam, who took over as chairman a year ago, is keen to reshape his UK-orientated board and make it more representative of a region which should provide the group with its greatest growth

over the next few years. Apart from recruiting another director from the Asia Pacific, the group plans to hold

Non-executive

Michael Miles, 58, an executive

deputy chairman of Barings,

has been appointed a non-exec-

utive director of BP. His

appointment to the board of

Britain's biggest oil company

continues its longstanding

boardroom ties with Britain's

Miles, who remains an exec-

utive director of the family-

owned John Swire & Sons, one of the biggest Far Eastern trad-

ing houses, is the first non-ex-ecutive director to be

appointed to the BP board

since it adopted the Cadbury

committee's recommendations

on corporate governance.
BP played down the Barings'

connection yesterday, describing Miles' membership of both

companies' boards as a coinci-

dence. The company had used headhunters to find its new

director and said that Miles

had been chosen from a list of

four candidates all of whom

had "strong Far East business

Miles joined Barings as a non-executive director in 1989,

just as Lord Ashburton, the

current BP chairman, was

retiring after 15 years as chair-

man of Barings. Lord Ashbur-

ton, sarmerly known as Sir

John Baring, resigned as a

non-executive director of the

merchant banking group in

March but remains chairman

of The Baring Foundation, a

oldest merchant hank.

directors



two board meetings in the region every year. Chan's appointment helps fill a gap on the board left by the recent retirement of several non-executive directors: Robin Baillie. Geoffrey Williams.

Bill Brown, John Craig and Chan, a US citizen who has an MBA from the University of

charity which owns the non-

voting equity capital of Bar-

Lord Ashburton, 65, is the longest serving director on the BP board and took over the

chairmanship in June 1992 fol-

lowing the ousting of Bob Hor-

■ Jock Worsley, a past president of the ICAEW and deputy chairman of LAUTRO,

Dennis Cassidy, chairman of

and The Saxon Hawk Group, at

Baron Bernstein, chairman

of the Bernstein Group, John Seddon, chairman of the

Godwin as deputy chairman

Tom Chandos, a director of

Botts & Co, at CHRYSALIS

Beaumont-Dark as chairman

at TR HIGH INCOME TRUST

chairman of Scholes Group, as chairman of UNICORN

David Young, former senior

partner of Spicer & Pegler, at WATES CITY OF LONDON

on the retirement of Paul

■ Robert Paine, deputy

ABRASIVES GROUP.

Seddon Group, Charles

and Calum MacLeod as

chairman at BRITANNIA BUILDING SOCIETY.

The Boddington Group, Ferguson International Holdings, The Oliver Group

as chairman of LLOYD'S MEMBERS' AGENCY

SERVICES.

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Manduca.

Sir Anthony

Southern California, is well

Forbes magazine has esti-mated that he is worth over \$1bm. In addition to his interests in several publicly quoted companies, he has substantial private business interests, which include the Morningside Group and Springfield & Company. The latter is involved in financial trading and has offices in New York, Boston,

**Empire** 

known to Standard Chartered. He is chairman of the Hang Lung Development Company, the quoted parent of a group of property related businesses which include Amoy Properties and Grand Hotel Holdings. Standard Chartered sold its Hong Kong headquarters to part of Chan's property empire

Chicago, Hong Kong, Beijing

#### Departures

■ Derek Rosling, 63, a founder of HANSON in 1965 and 1993, has retired from the board; in recent years he has been resident in the United

III The Rt Hon the Lord Camovs has retired as a director of BARCLAYS and of the Bank.

■ Ken Emery has retired as unit trust technical director at SAVE & PROSPER ■ Keith Ackroyd, md of BOOTS' retail division, will retire in July.

■ George Hayes, marketing director of BERNARD MATTHEWS, has resigned. ■ Richard Wong, director of CATHAY INTERNATIONAL **HOLDINGS** responsible for Far East operations, has

■ Michael Brown has resigned from ENTERPRISE COMPUTER HOLDINGS.

#### American operations, is appointed md of the group on the retirement of Peter

Jean-Baptiste Téfra is replacing Martin Mays-Smith as chairman of Empire Stores, the UK's fifth-largest mail

Téra, 47, became chief executive of the catalogue operations of Empire's French parent La Redoute last year. He was previously managing director of Empire, until Michael Hawker, managing direc-tor of Sears' mail order subsidiary Freemans, was

recruited earlier this year.
Hawker had been filling the role as a part-time consultant, but took over as full-time chief executive last week, at the same time as Terra took over

Mays-Smith is stepping down to pursue his other business interests, which include chairmanships of the Norwich and Peterborough Building Society and First National Bank. He says that with Michael Hawker's appointment, it was "clearly more appropriate" for Empire to have a chairman from Redoute.

Terra graduated from the Ecole Centrale de Paris. He joined La Redoute in 1969, moved to a computer leasing company, CFCE, in 1971, and then to French retailer FNAC, before returning to La Redoute in 1984. He became md of Empire in October 1991.

# ALLIED COLLOIDS' North

building ■ Barry Cody is stepping

down from the board of SILENTNIGHT HOLDINGS to concentrate on his role as md of Silentnight Cabinets. E Brian Summers has been appointed md and Alan Street business development director of BIRMINGHAM INTERNATIONAL AIRPORT following the retirement of **Bob Taylor**.

M Steve Dunn, marketing director of Pizza Hut, is appointed marketing and sales director of MERCURY One-2-One.

Richard Johnson (below). formerly deputy chairman and md of Norgren Martonair Europe, has been appointed chief executive of WYKO



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FINANCIAL TIMES

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# Portuguese are Champs of 1994

Christopher Lorenz reports on a business student competition

worthy of a south European

tied result, the team of

School of Economics.

towards teamwork.

soccer match. Apart from one

22-year-olds from the Catholic

University in Lisbon won every

phase of the final session. Last

year, when Champ was started

by two LBS students, 232 teams

took part. That event was won hy a team from the Stockholm

This year's final consisted of

two days of case study analysis

computerised management game in which students had to make

a series of high-pressure decisions

over a company's purchasing, production and inventory.

Appropriately for young people

about to enter the real world of

business, the marking is weighted

Although it did not form part

of the judges' official assessment, the students' fluency in business

two of this year's 24 finalists were

native English speakers, and almost all are still in their early 20s. Yet their language skills were

demonstrated not only in formal

The winning team shares a Ecu

2,000 (£1,540) purse and receives

individual eight-week work

experience scholarships with

Unilever outside their home

● Champ. C|O LBS, Regent's

Park, London NW1 4SA.

presentation but also in

cut-and-thrust debate.

English was remarkable. Only

and debate, and an interactive

ny consumer goods Company whose branded product had a 40 per cent share of the European market would probably refuse to manufacture a private label version for one of its smaller national territories. The risks would be too high, the potential rewards too meagre.

Yet a remarkably well-argued case for a big French pizza-maker to do precisely that has helped a team of four Portuguese students win Champ 94 -Challenge in Management Perspectives - a business undergraduate competition which attracted entries from 400 teams in 23 countries across Europe.

Designed to test analytical. interpersonal and presentational skills, Champ 94 was one of the largest pan-European team events of its kind. It was sponsored by Unilever, with support from the London Business School, the European Commission and the Financial Times.

After qualifying heats last month in Budapest, Hamburg, Milan, Paris, Rotterdam and Warsaw, the two-day final was held last weekend at the LBS, whose MBA students organised the competition in conjunction with two international student associations. AEGEE and AIESEC.

The Portuguese victory, against teams from Germany, Hungary, Poland, Scotland and Switzerland, was greeted with whoops of joy

decades since drugs

like cimetidine revolutionised ulcer treatment, sparing many patients the knife. Now it has been discovered that a simple course EALTH CHECK of antibiotics may cure ulcers and even certain forms

It is barely two

of stomach cancer. The BBC's Horizon programme on Monday night told the story of the appropriately named Stephen Hope. He is one of several people with lymphoma of the stomach who have

been treated successfully not by surgery or radiotherapy but by antibiotics against the bacterium Helicobacter pylori. H. pylori was discovered about

100 years ago but misunderstood until recently. It was almost an accident that, while looking for a suitable research topic, young gas-tro-enterologist Barry Marshall became interested in H. pylori in 1983. Among other things, he tried giving himself the germ and eradi-cating it in his patients. Both were a great success, even if his efforts met with little acclaim at first.

H pylori is highly resistant to stomach acid, which kills most known germs. It moves in corkscrew fashion, penetrating deep into the stomach lining. In the last ten years, research has increasingly implicated it in gastritis, gastric

Lara's innings, like many played by West Indians over the years, had

much to do with good people man-

agement and the creation of the

Firstly, cricket in the West Indies

follows a golden rule pursued by most successful businesses: manag-ers must believe in their employ-

ees. The businesses which excel in the long term select the best

available talent, and then give

them every opportunity to

In West Indian cricket, the tal-

ented players know that even if

they have a series of low-scoring

innings, the management will con-

tinue to select them. This faith is

an important part of their motiva-

tion, and contrasts with the selec-

tion and deselection that occurs in

English cricket: That is no way to

manage people. West Indian cricket also shows

the significance of top manage-

ment's commitment to the product.

Its managers – many of whom were

salutary for business

right market conditions.

Drugs can kill a germ which may cause serious stomach problems, writes Carol Cooper

# Antibiotics offer new cancer hope

ulcer, duodenal ulcer, gastric cancer, and non-Hodgkin's lymphoma of the stomach.

Around 95 per cent of patients with duodenal ulcers and 80 per cent of those with gastric ulcers are thought to carry H. pylori. According to a study just published in the British Heart Journal, there is also evident that the best-trium is associated. evidence that the bacterium is associated with a higher incidence of coronary heart disease, though a causal relationship is unproven.

H. pylori is often acquired in childhood, especially among poorer households, where it may spread from person to person. Infection with H. pylori increases with age at 50, around 50 per cent of us are infected; at 70, around 70 per cent. Bradicating the bacterium can now be done fairly simply. A fortnight's treatment with two drugs (the antibiotic amoxycillin and the anti-ulcer drug omeprazole) does the trick in around three-quarters of patients infested with H. pylori. This regime is easier than its pre-

H. pylori is thought to multiply the risk of stomach cancer by six, but is only one of several factors

decessor, triple therapy, which involved more tablets, had more than a 20 per cent incidence of sideeffects, and precluded alcohol for the duration of the treatment. It is now possible to test for H.

pylori (one such test costs about £26 per person). But many gastro-enterologists believe that all patients proved to have a duodenal ulcer should be offered eradication therapy, whether or not they carry H.

Studies point out that patients treated in this way feel better and relapse less often than those given conventional anti-ulcer treatment, and the treatment may cost less in the long run. A report from general practitioners in Suffolk suggested recently that annual savings of at least £120 per patient could be

Some authorities would also agree that eradicating H. pylori is good treatment for gastric ulcers, and the last year has seen increasing evidence that it can work won-

ders for gastric lymphoma. But this type of tumour accounts for only 5 per cent of all stomach malignancies. So what hope is there for most stomach cancer sufferers? H. pylori is thought to multiply the risk of stomach cancer by six, but is only one of several factors - diet and blood group are also important. One hypothesis is that a chain of sugars found only in type A blood may help H. pylori attach itself to

the stomach lining. It is not yet known whether eradicating H. pylori affects gastric cancer (as opposed to lymphoma). Nor is it clear how much it can offer those with gastritis - specialists are now trying it, though many believe

it will confer few benefits. A wider question is that since H. pylori can be tested for, might it be worth treating those who carry it but do not have symptoms, in the hope of preventing serious disease

At the moment, the answer is no. One problem is that the incidence of infection with H. pylori is very much higher than the incidence of diseases it is associated with. Until it is known precisely how the bacterium causes harm, it would be fruit-

less to treat all carriers. Prevention of stomach malignancies may therefore be around the corner. From where we are now, however, that corner seems to be some way down the road. The author is a London GP

#### Batting tips for a rian Lara's world record-B breaking cricket innings last month took the sporting world by storm. But the Trinidadlong innings ian's batting score of 375 runs in the final test match against England in the West Indies displayed an excellence which is also

Business can learn from West Indian cricket's commitment, selection policy and self-belief, says Carla Noel

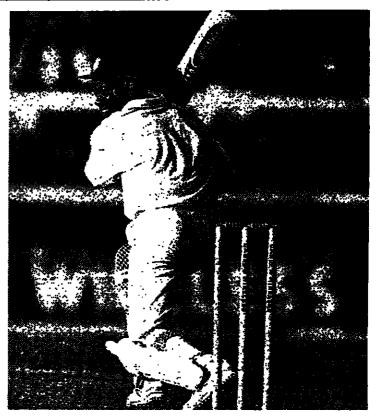
themselves sporting legends know only too well how important cricketing success is for a region which has had few other things to hoast about. Because of this, they take the job of maintaining and improving the performance of the

eam very seriously. West Indian cricket also illustrates the need to have a market willing to consume the business's product. Without a customer base, businesses soon wither and die. In the West Indies, cricket will never die, since West Indians consume all they can of the game. If only all esses could have such loyal

One final ingredient of business success illustrated by West Indian cricket is luck. This is that curious element of competitive advantage often mysteriously conferred on some businesses, but not on others. Consider, for example, how lucky West Indian cricket is to have a climate which allows the game to be played and practised all year round. Luck can be a little bit of help from nature which many other cricket teams do

More than all this perhaps, with a string of world record holders and world class talent stretching back many years, West Indian cricket also carries a legacy of

In business, as in cricket, a legacy of success is one of the key ingredients for continued success. The author, a Trinidadian, is a research student at Templeton Col-



Brian Lara displays a cricketing excellence which is salutary for business

# Cuore Sportivo

# ALFA ROMEO **LEADING EDGE**

abule i

Engines have always been the heart of every Alfa. Romeo. Now. in the Alfa 164 Super, they beat more strongly than ever. Whether choosing the potent 2.0 Twin Spark or the allconquering 3.0 V6 24V, you can be assured of the sort of instantaneous throttle response and smooth, eager power that only an

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Alfa Romeo could de-

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By the last act she is in the

terminal stage of some

unnamed (unless I missed it) modern disease. Her end

comes not in a grand Parisian apartment, but in a National

Health hospital - every last

drop of romance sanitised by

the surroundings. Watching

Mary Lincoln's Violetta trying to turn in bed during her final

aria was painful in the right

way and a fitting end to a por-

trayal that one could always believe in.

The company is lucky to

have a Violetta who can sing

what Verdi wrote, whereas one generally wishes that the

musical arranger, Tony Brit-ten, would help out his actors

by re-writing more boldly. Tim

Godwin sings the English

words as if he has been listening to too many Andrew Lloyd Webber records, but his young

puppy of an Alfredo ("hung

dation) is very touching. David Burt makes heavy weather of

Giorgio Germont, The moral

force of this role is more diffi-

The cameos include Liza

Sadovy as a stylish slut of a

Flora and Simon Butteriss's

Gaston, who returns as a

gypsy in drag with a talent for

dict success for this show if some of the bathetic rhymes in

the translation can be sharp-

ened and the string quartet

rehearsed more thoroughly. La

traviata is an opera of today

and Music Theatre London has

Sponsored by British Gas. Per-

formances until May 21 at the

ading palms. He might pre-

like a horse" is his recon

cult to update.

Opera/Richard Fairman

La traviata

first came to Lon-

ria forbade the

Court to attend. A story about

a prostitute who dies on stage

was thought an improper sub-

ject for the theatre and it can-not have helped that Verdi

intended the opera to be per-

formed in modern dress, bring-

ing its message even closer to

That it what Music Theatre

London is about: lifting

well-known operas out of their

historical context and throw-

ing them down in the fast lane

of the present-day. The Moz-

art/Da Ponte operas and Ros-

sini's Cenerentola have been

swept along by their irrever-ent ebullience; this Traviata is

their first try at a serious

opera – a commission from the Covent Garden Festival as part

of its adventurous programme

yuppies' rave and when Gas-

ton bursts out from a back

room, it is to collect an orange

presumably to go with a plas-tic bag and some ladies' stock-

ings. Later, Alfredo comes in

from doing the weekly shop-ping at Sainsbury's, any sub-

urban boyfriend from the

For a producer updating

stage work this is the easy bit. When it comes to bringing the

characters alive, the producer

William Relton does not aim

to score many points, but some of the shots he does try

are bull's-eyes: as Violetta

sings her solo scene, she removes her blond wig, peels

off her false eyelashes and

wipes clean the prostitute's

face to reveal the untainted

home counties.

Violetta's house-party is a

of opera and music theatre.

he "Question Of The Day" is: what can you find in your garden shed? Other items on the programme include a test to see what happens when you pour a bucket of ice cubes into a man's underpents. A Scottish actor, chosen because of his role in an ITV detective series, is visited "unexpectedly" in his home, Cilia Black style, and invited to ride a gently undulating mechanical bucking bronco. There is an embarrassingly inept attempt at square dancing. Dancing to a bangra beat may be a bit better, though it is impossible to be sure since the item is extremely brief and the dancers are lost in a cloud of dry ice. Puppets called Zig and Zag, looking like rejects from the Muppets, screech so much that it is impossible to hear most of what they say.

This is The Big Breakfast on Channel 4, the programme which, we are assured, has been such a ratings success that GMTV, the ITV breakfast show which notoriously displaced TV-am, has appealed successfully for an easing of its licence requirements to be able to go further down-market and compete more effectively. One of the most striking aspects of The Big Breakfast is its astonishing cheapness. The "surprise" visit to the actormust have been the most expensive item on this day since it involved sending out a camera crew. Virtually everything else was done in the three ock-keepers' cottages which the company uses as its studio. The "family of the week" was there, Paula Yates did her interview-on-the-bed (with, of, course, Hugh Grant, star of Four Weddings And A Funeral) upstairs, and the chap who blow-dried his chickens was downstairs. The sexy building worker with bare chest, shorts and a

big hod was actually on the stairs.

Another striking fact is the extent to which the appeal of the programme depends upon other popular television output. Not only is there a regular "Snap, Cackle And Pop" item promoting forthcoming programmes (commercial programmes, anyway) there is also a lot of talk about the scaps. Even more obviously, presenter Mark Little is a young Australian whose sole claim to the job seems to be his previous experience as a member of the cast of the Australian soap Neighbours. He certainly does not exhibit any obvious talent for presentation, though co-presenter Gaby Roslin does. Indeed her charm and natural flair will surely take her pretty well anywhere else in television that she wants to go ... which must surely be

almost any other series. But what strikes you most of all is the childishness of so much of the material. Even on days when the ultra brief news bulletins do turn up every half hour or so (on this day there is some technical hitch at the cottages and most of them are dropped) the overwhelming feeling is of a programme pitched at about the level of Noddy In Toyland. The studio



Television/Christopher Dunkley

out television: it has taken the "Hima-

layan option", climbing back to the

commanding heights and establishing

itself as the provider of high quality.

Whether FT readers really want to

watch television at 6.00 in the morn-

ing I do not know, but Business

Breakfast between 6.00 and 7.00 am

can be remarkably lively. On the day

in question it offered - in addition to

routine reports on the Footsie, Nikkei

and so on - items on the success of

the price cutters in UK food retailing,

the revival of US car manufacturing,

the modernisation of Scotch whisky's

image (can you imagine Scotch and

lemonade?) and the academic/com-

mercial schism within the internet

computer network.

# Mixed up breakfast menus

colours - brilliant yellow, bright red, Frank Bough and Selina Scott what it boasted it would do throughvivid mauve, lurid orange - are straight out of Noddy, the animated cartoons appeal to Noddy's public, as do Zig and Zag, and it is surely no coincidence that the outside reporter is the former children's presenter Keith Chegwin. The commercial breaks reinforce the impression: much of the advertising is clearly intended for young children.

So it seems that The Big Breakfast is aiming at an audience with a median age of about seven. But what on earth is GMTV up to? Its presenters, Eamonn Holmes and Penny Smith, look just like the sofa couples who come on later in the morning. apparently intending to appeal to women at home, To this extent GMTV is the last breakfast show still relying on the formula originally used by the BBC and TV-am when the whole thing began in spring 1983 and sprawled on the sofa in their sweaters being ever so cosy.

But who does GMTV think it is appealing to? The phone poll asking Do you want a referendum on the EC?" (90 per cent said yes) is obvi-ously of widespread interest, but what about the long item on popcorn sales in American cinemas? Or the weirdly contrived report asking "What is it that American men find so fascinating about Scottish women"? Once again there is much exploitation of soap operas, but that sits oddly with the items on cricket ball tampering and a new off-the-wall Irish magazine called "DV8" (a name already used by a well known modern ballet troupe). Perhans the idea is to have something for everyone, but the trouble is that it looks unlikely to satisfy anyone.

A similar approach, exploiting the BBC's tremendous resources in inter-The BBC on the other hand seems national news, continues in Breakfast to have achieved, in this area at least, News between 7.00 and 9.05 am. True,

on the day in question the overkill in covering Nelson Mandela's forthcoming inauguration was emberrassing and the tone of religious solemnity in which it was discussed absurd. But the reports on Nagorno-Karabakh, Hizbollah, and opposition to the use of Lake Windermere by motor boats and not from a sofa.

almost any newspaper or radio programme seems preferable at that time of day. For those who do want television with their toast, however, there is now, undeniably, a range of sharply even wildly - contrasting pro-

were excellent. Moreover they were as always on this programme now introduced by Nicholas Witchell and Sally Magnusson from behind news readers' desks, as they would be on the Nine O'Clock News or Newsnight, Watching television at breakfast time still feels depraved to me, and

#### Holt and Messaien

Concerts/David Murray

n a pair of concerts at the Queen Elizabeth Hall, Mark Wigglesworth and his crack Premiere Ensemble have been playing with orchestral arrangen not in the transcriptionsense, but with seating and placing. Their first concert included Simon Holt's new Minotour Games, for which the band was divided into almost exactly matching halves. For the late Olivier Messiaen's expansive Des Canyons aux étoiles on Monday, it rose in a pyramid five tiers high, with glittering percussion at the top – but also at port and star-

board, down below. In Des Canyons... impact of the tiered band was saw in the first part was dance terrific: forceful, lucid, all the sharply distinct. Messiaen's inspiration came from an early 1970s visit to the brilliant desert-scapes of Utah - especially Bryce Canyon, Cedar Breaks and Zion Park, which earned the three most sumptuous movements here. For their short but ultra-sweet episodes. the relatively small stringgroup sang out with ultra-vibrato. As always the pianist Yvonne Loriod, Messiaen's widow, was scrupulously faithful and articulate in the main solo role, without "personal" nuances and yet with penetrat-ing expression. Richard Bissill's brave, skilful French

horn almost matched her. Why was I so uninvolved? Des Conyons..., an hour and three-quarters long without any natural interval, was pre-

ceded by a London premiere of more-or-less posthumous Mes-siaen – a brief tribute to his publisher on his 90th birthday, for piano and string quartet That does what Carryons did: recycle familiar Messiaen

tropes in a new sequence, with some more birdcalls. The recent "Pièce", however, is dense and dramatic for its three or so minutes. Canyons, despite some incisive writing, stretches out its length indulgently and interminably. To believe it you need to be a rapt devotee. It was delightful to read that its 9th movement would feature "slow and strong lambs, being contrasted to short and fast lambs in ascending sequences"; but "lambs" (as in "iambic pen-

tameter"). Holt's Minoan exercise, the centrepiece of a projected "triology" (sic), came with no notes but the composer's brief, chunsy recounting of the Theseus myth. No clue to how, exactly, his 15-minute Minotour Games might latch on to it. The music hinted perhaps at a search, a confrontation, a headlong flight, and at a deeper level some nameless erotic scenario – there were eldritch howls and whimpers. But Holt's scoring is so insistently opaque in the low-middle (viola) register that we lost trace of any harmonic movement: the thing just sat there, emitting baleful cries, defying us to guess where it was meant to be going.

# A tribute to Gary Glitter

by the Gang to Gary Glitter – and that's the problem. "Affectionate" is infants were now ready to approach to Paul Dadd, the 50vear-old egomantac who, after trying on as many personalities as Rory Bremner, hit the world as Gary Glitter, the

Supported by platform shoes of vertiginous height, and costumes that pushed camp excess beyond the imagination of Julian Cleary, in 1972 Glitter changed glam rock from a smile into a joke. He was also supported by the heftiest drum beat in the business. Outrageous; ridiculous; surreal; pathetic - these are better words for Glitter.

Of course Glitter had the last laugh. He went through all the career moves expected of a pop star - divorce, drug abuse. bankruptcy, teenage girls but kept coming back for more

eader? is billed as an doses of fame. In the 1980s he "affectionate" tribute discovered the university circuit and students who remembered being awed by him as Little of the enormity of the man and his durability comes

> Antony **Thorncroft** reviews 'Leader!' at the Arts Theatre

out in Steve Furst and M. Simon Leigh's portrait. It is as pedestrian, and self-censored, as This is Your Life (suicide attempts are "cries for help"), and starts with a wall chart of the Glitter career and ends with the inevitable communal choruses. There is one good

Glitter and so that bewildered, what-am-I-doing-here, stare, which was Gary's permanent on stage expression, is doubly But the set and costumes are reminiscent of the troughs of

Glitter's career when he played the chicken-in-the-basket circuit - although I'm sure he never appeared at La Rue's Codpiece, Didcot, as the script suggests. Paul Putner plays one of Glitter's many managers and Furst everyone from Andrew Lloyd Webber to Elvis

The problem is you cannot be more blatant than Glitter. He sends himself up so high that no satirists can reach him. But once a member of the Gang you are hooked for life. and there will be enough loyal members happy to honour the Leader at these meretricious entertainments, After all, there is nothing wrong with a little Booth's 'Wonderlawn' arclay's New Stages and found is an abiding than a bank account. What I with the innovative

valuable in theatre and (some) dance - is in its fourth year and at the Royal Court. Several cheers for the enterprise; rather fewer, sad to say, for the major dance offering: Laurie Booth and Company in a commissioned viece. I saw Booth's Wonderlaum on Monday night. I have much

admired his solo and duet work (notably in his partnership with Russell Maliphant) for its extraordinary variety of energy - Booth like a calligrapher, brush heavy with ink. making sweeps and flows of dynamics, suddenly twisting the ideogram with a flick of the hand, leaving a bold shape on the retina. His stage persona is often that of guru or of a traveller in quest of spiritual experience. Serenity sought

festival - concerned impression in his best dances. As a creator his most potent well done (Booth produced tretandem with one disciple-colleague, their bond the subtleties of contact improvisation. where every move awakens a spontaneous sequence of activity. His larger creations that I have seen look diffuse. So with

Dance/Clement Crisp

Three dancers - Ellen van Schuylenburch, John Kilroy, James de Maria – join Booth. Two parts, each just over 30 minutes long. An emollient score by Gavin Bryars for a chamber ensemble, making amiable wall-papery patterns. Elaborate design by Duncan MacAskill. And it is all too much. Focus, precision, even purpose, seem clogged by the rich trappings of collaboration. Booth has, in the past, shown us the beauty of austerity: he is better with a begging bowl

fatally bland. There was a whiff of the orient about it all - Tai Chi: martial arts, Indian dance - yet it looked more Brunmagem than Benares, as if the cast were auditioning for a revival of The King and I.

The second, and better, sec-tion found the dancers clambering on a vast metal web which was wired for sound so that each move produced a tingling resonance (very welcome to ears sated with Bryars' maunderings). The web flew up, Bryars and his ensemble (dressed, oddly, as druids) were revealed, and for a time Booth's skill gave the dance a bright immediacy. But at curtain fail - too long delayed - I felt somehow cheated. Booth can be more powerful, more illuminating than this.

# INTERNATIONAL

#### **BONN**

Beethovenhalle Tomorrow, Fri: Gary Bertini conducts Orchestra of the Beethovenhalie in works by Brahms and Bartioz (0228-773666) Oper Sat, next Wed: Les Contes d'Hoffmenn with Francisco Araiza. Sun: La fenciulta del West. Mon: Tosca (0228-773667)

#### ■ BORDEAUX

Palais des Sports Tonight, tomorrow, Jerzy Semkow conducts Orchestre National Bordeaux Aquitaine in works by Britten, Beethoven and Brahms, with pisno soloist Grigory Sokolov (5648 5854) Grand-Théittre Tonight: Yuri sahmet viola recital. Tomorrow: Gérardi Poulet violin recital (5648 5854)

#### COLOGNE

Philhermonie Tonight: Hans Vonk conducts Cologne Radio Symphony Orchestra in works by Bartok and Strevinsky, with pierro soloist Mikhail Rudy, Sat: Martha Argerich and

Alexandre Rabinovitch plano duo. Sun, Mon: Ray Charles. Tues: John McLaughlin. Next Wed: Stephane Grappelli (0221-2801) Opernhaus Tomorrow: Kathleen Kuhimann song recital, Fri, Mon: Macbeth with Alexandru Agache and Elizabeth Connell. Sat: Arladne auf Naxos with Alexandra Marc. Barbara Kilduff and Peter Svensson. Sun: first night of new production of Lortzing's Der Wildschütz, conducted by Lothar Zagrosek and staged by Andreas Homoki (0221-221 8400)

#### ■ COPENHAGEN

Royal Theatre Tonight, Sat: Heinz Fricke conducts Nicolas Joel's production of Lohengrin, With elternating casts including Poul Eming and Tina Kiberg. Tomorrow: Der Rosenkavalier. Fri: Don Pasquale. End of season (tel 5314 1002 fax 3312 3692) Tivoli Tomorrow, Kees Bakels conducts Tivoli Symphony Orchestra in Mahler's Sixth Symphony. Fri: Yuri Ahronovich conducts Danish Radio Symphony Orchestra in works by Franck and Tchalkovsky. Sat: Marco Boni conducts Tivoli Symphony Orchestra in Bloch Bartok and Mozart (3315 1012)

#### **DRESDEN**

DRESDEN FESTIVAL This year's programme (May 21-June 5) is inspired by August the Strong, whose accession as Saxon ruler 300 years ago heralded a golden era in Dresden's artistic life. Visiting baroque specialists include i Solisti Vaneti, Concerto Köln and Virtuosi Saxoniae, and

there will be a chance to hear rare choral and operatic works by Telemann, Hasse and Handel. Other highlights include Bach's B minor ss conducted by Riccardo Muti, Capriccio with a cast headed by Felicity Lott, and Alfred Brandel playing Mozart. The Semperoper's main contribution is a new production of The Cunning Little Vixen opening on Sat, conducted by Wolfgang Rennert and staged by Hans Hollmann, with a cast headed by Patricia Wise (0351-486

#### ■ FRANKFURT

Oper Tonight Guido Johannes Rumstadt conducts Nuria Espert's production of Elektra, with Janis Martin and Livia Budal. Sat, Mon: Frankfurt Ballet in choreographies by William Forsythe and Amarida Miller, Sun: Sylvain Cambreling conducts Herbert Wernicke's production of Duke Bluebeard's Castle, with Henk Smit and Katherine Clesinald (069-236061) Schauspiethaus Tomorrow, Sun: Frankfurt Ballet in choreographies by Miller, Rizzi and Schumacher (069-2123 7444) Alte Oper Fri: first night of the Lerner and Loewe musical My Fair Lady, daily till next Wed. May 26, 27: Deniel Barenbolm conducts Chicago Symphony Orchestra (069-134 0400) English Theater Kais Bit Manhoff's cornedy The Owl and

#### **■ GOTHENBURG**

the Pussycat opens next Wed for

a two-month run (069-2423 1620)

Konserthuset Tonight, tomorrow:

Sakari Oramo conducts Gothenburg Symphony Orchestra in Corigliano's Clarinet Concerto (Urban Claesson) and Tchaikovsky's Sixth Symphony (031-167000)

#### **HAMBURG**

Staatsoper Tonight: John Neumeier's version of Swan Lake. Tornorrow: Le nozze di Figaro. Fri, next Mon, Thurs and Sun: Gerd Albrecht conducts Harry Kupfer's new production of Khovanshchina, with cast headed by Olga Borodina and Matti Salminen. Sat: Aida with Maria Guleghina and Michael Sylvester (040-351721)

#### **■ LEIPZIG** Opernhaus Tomorrow: Tosca with

Anna Tornowa-Sintow. Fri: Don Giovanni. Sun: first night of Uwe Scholz's new version of Sleeping Beauty (0341-291036) ndhaus Tomorrow, Fri: Dennis Russell Davies conducts Gewandhaus Orchestra and Chorus in works by Haydn, Ravel and Holst. Sun: Olso Bach Chorus in Handel's Solomon. Mon: Uwe Mund conducts MOR Kammerphilharmonie in Wolf, Falla and Mendelssohn, with piano soloist Carmen VIIa (0341-713 2280)

#### **LYON**

Opéra Tonight: Felicity Lott song recital. Tomorrow: John Nelson conducts first night of Klaus Michael Gruber's production of La traviata, with cast headed by Glusy Devinu. Repeated May 22, 25, 28, 31, June 3, 16, 19, 22 (tel 7200 4545 fax 7200 4546) Auditorium Tomorrow, Fri: Gianluigi

National de Lvon in Mahler's Ninth Symphony (7860 3713)

Gelmetti conducts Orchestre

#### MUNICH STAATSOPER

Tonight: Bavarian State Ballet in Peter Wright's production of Giselie with guest soloists Evelyn Hart and Wes Chapman. Fri, Sat, Sun: National Ballet of Canada in two programmes, including Erik Bruhn's version of Coppella and a mixed bill of works by Neumeier, Forsythe and Kudelka. Next Mon: Bavarian State Ballet in Neumeier's A Midsummer Night's Dream (089-221316)

#### MUNICH BIENNALE Munich's fourth festival of new

music-theatre winds up this week with the eagerly-awaited premiere of Benedict Mason's new football opera Playing Away, in an Opera North production staged by David Pountney and conducted by Paul Daniel (tomorrow, Sat and Sun at Deutsches Theater). A chamber opera by Nikolai Komdorff (b1947) based on the love story of Marina Zvetayeva and Rainer Maria Rilke will be premiered on Fri at Muffathalle. The festival's final events are a choral concert at Prinzregententheater on Fri and a nocturnal excursion through 20th century music at Gasteig on Sun evening (089-48098 614)

#### OSLO

Konserthus Tomorrow, Fri: Mariss Jansons conducts Oslo Philhamonic Orchestra in Shostakovich's Ninth Symphony

and Mahler's Fifth. Next Tues: Jansons conducts Tchaikovsky's Fourth Symphony (2283 3200)

#### **■ STOCKHOLM**

Royal Opera Repertory for the next two weeks consists of Natalie Conus' production of Swan Lake and Ingvar Lidholm's Strindberg opera A Dream Play, with alternating casts including Hillevi Martinpelto and Hakan Hagegard (tickets 08-248240 information 08-203515) Drottningholm The season opens on May 26 with the first night of a new Royal Opera production of Youth and Folly, Edouard Du Puy's early 19th century Singspiel (08-660)

Berwaldhallers Tonight's concert by Swedish Radio Chorus Includes works by Delius, Argento, Rossini and Brahms. On Fri. Woldemar Nelson conducts Swedish Radio Symphony Orchestra in works by Rakhmaninov and Beethoven, with piano soloist Leif Ove Andsnes. Sat: tribute to Duke Ellington (08-784 1800) Konserthuset Krystlan Zimerman gives a piano recital next Wed (tickets 08-102110 information

#### STRASBOURG

08-212520)

Palais de la Musique Tomorrow, Fri: Theodor Guschibauer conducts Stresbourg Philharmonic Orchestra and Chorus in Beethoven's Ninth Symphony (8852 1845) Théatre Municipal Next Tues, Thurs: Opéra du Rhin production of The Makropoulos Case, with Sophia Larson as Emilia Marty (8875) ARTS GUIDE Monday: Berlin, New York and

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chi-cago, Washington. Wednesday: France, Ger-many, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Busi-ness Today 1330; FT Business Tonight 1730, 2230

NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Peports 0745, 1315, 1545, 1815, 2345

NBC/Super Channel: FT Reports 1230

FRIDAY NBC/Super Channel: FT Sky News: FT Reports 0230, 2030

SUNDAY NBC/Super Channel: FT Reports 2230

Sky News: FT Reports 0430,

elections to the European Par

liament. Unfortunately, how-

ever, the UK foreign secre-

tary's sales pitch for Europe is

misleading, both about the

facts as they are now, and

about the future as it is likely

Mr Hurd has been telling the

party that the argument in

Europe is going Britain's way.

The European Union is not a

tyrannous and regimented

organisation, he reassures the Tories, but a wonderfully flexi-

ble grouping, which is becom-ing more flexible all the time.

Its flexibility is reflected in

Britain's various opt-outs, from

the single currency and the social chapter; and this so-called "variable geometry".

by which member states can

pick and choose the policies

that suit them, will be the

"This," he told Scottish Con-

servatives last week, "Is a multi-track, multi-speed, even

multi-layered approach, which

will increasingly be the way

of the future. It threatens

His tactics are obvious. The

Conservatives risk a drubbing

in the European Parliament

elections, some of which may

come from the anti-European

wing of his own party. If he

can win over some of the par-

ty's waverers on Europe, he

may hope to alleviate the dan-

ger of a threat to Prime Minis-

The problem is that it is sim-

ply not true to suggest either

that national opt-outs are

becoming a generalised pattern throughout the Union, or that

Mr Hurd's image of a "multi-

track, multi-speed, multi-lay-ered approach" is becoming

generally accepted as an alter-

native model of how Europe

On the contrary, most of the

other governments are still

committed to the model of an

integrated Europe with strong

common institutions, in which

all the member states sign up

to reach the same common

objectives, sooner or later. This

commitment to the traditional

model tends to be strongest

should develop in future.

ter John Major's leadership.

#### Ian Davidson

#### It's not trying to peron the Tories that they ought to like the European Union. In menu principle this is a worthy enterprise, and not before its time, especially in the run-up to next month's

Mr Hurd's portrayal of an à la carte Europe is deceptive

among the original founding members at the heart of the European Union; and there is no sign they are being won over by Mr Hurd's vision of Eurone à la carte.

British ministers have triumphantly endorsed recent proposals from the Bonn government for faster deregulation in Europe. But it would surely be a mistake to draw too large an inference from this initiative. The German government has its own problems of unpopular-ity with the voters in the

There is no sign the founding members are being won over by Hurd's vision

run-up to the European elections; and Germany also has its share of Euro-sceptics. This episode does not constitute evidence of a strategic shift in Germany's European policy, away from the objective of an integrated Union, towards the loose Europe of opt-ins and optouts touted by Britain.

Now it is possible that we shall see more "variable geometry" in Europe in future. It may be desirable as a way of accommodating the countries of eastern Europe; and if the Union becomes more integrated, it may be an unavoidable concession to the reluctant members. But this does not mean that Europe à la carte will become the preferred paradigm for Spain Portugal or Ireland, let alone for France,

Germany or the Benelux. So when Mr Hurd says that there is no danger of Britain being left in a "slow lane or outer circle" of the European Union, he is being merely dis-

ingenuous. There is certainly no danger that the other member states would prefer to relegate Britain to an outer circle. But unless variable geometry does become the generalised pattern for all the member states, the logic of the way Mr Hurd is talking is that Britain might manoeuvre itself into a slower lane.

A larger Europe, moreover,

must have a common foreign

and security policy. This was a

decorative optional extra in the

Maastricht treaty, but will become an inevitable obliga-

tion, imposed by geography.

The east European countries

have just been offered associ-

ate partnership in the Western

European Union defence grouping, when they join the

European Union, their security

from any instability in the east

will unavoidably become our

concern. In political terms

variable geometry will become

more difficult in this larger

in 1996, therefore, most exist-

ing member states will want to

strengthen the central institu-

tions of the Union, including,

no doubt, easier majority vot-

ing and more powers for the

European Parliament; and

some may want to go further,

towards a European constitu-

tion. There must be a real dan-

ger of an ideological confronta-

tion between Britain and its

partners. But the negotiation

will be unnecessarily gruelling

the longer the government

goes on painting a misleading

picture of the way things are

really going in Europe.

Europe, not easier.

While this is worrying for SmithKline the world's sixth-Mr Hurd's advocacy of a biggest drug company is not British vision of Europe may ease the pressure on the govalone. Tagamet is just one of 17 drugs with combined annual ernment in the European elections; or it may not, we shall sales of \$2.8bn in the US whose see. But the longer he sticks to patents expire this year, this kind of dialectical decepecording to Goldman Sachs tion, the harder it will be to the US stockbroker. frame a reasonable strategy for the fundamental medium-term

Between 1993 and 2005 drugs with total US sales of more choices coming up.

Those choices will have to be than \$27bn will lose patent pro tection. None of the world's faced in the Inter-Governmenleading drugs companies is tal Conference of 1996. This immune to growing competiwas originally conceived as a tion from a new generation of fairly modest event, to revise generic products. the Treaty of Maastricht in the The race is on to enter the

market.

light of experience; it now generics market because of a seems likely to be a much bigbulge in the number of patents ger affair, to plan for the open-ing of the Union to the counwhich are expiring. Valium. the anti-depressant made by Swiss company Hofftries of eastern Europe. No one the yet knows how or when they can be brought in; but it is man-La Roche, was a patented drug whose success in the already obvious that they can-1960s showed other groups how not be included soon without profitable the process could be. fundamental revisions of the The subsequent research Union's policies, or its institu-tions, and probably both.

boom of the 1970s generated the blockhuster drugs of the 1980s. They included drugs for heart treatment such as ICI's Tenormin (see chart), as well as Tagamet and the closely related Zantac, made by Glaxo of the UK and still the world's best-selling compound. Drug patents usually last 20 years and the industry is now seeing the fall-out from these post-Valium efforts.

drug price war starts

today. At midnight, one of the world's

best-selling drugs, the

ulcar treatment Tagamet, lost

patent protection in its biggest

market, the US. Its manufac-

turer, the Anglo-US company

SmithKline Beecham, esti-

mates that it could lose sales

worth \$600m a year as about 10

makers of cut-price unbranded

versions - generics - enter the

By unhappy coincidence for the drugs companies, healthcare costs are being scrutinised by those who pay the bills -US employers who pay insurance premiums, insurance companies which meet claims, and governments throughout the industrialised world. All three groups are eager to substitute cheap generics for costly branded drugs.

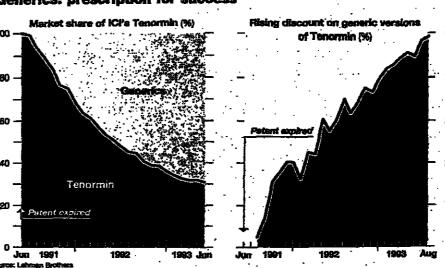
There are huge potential savings. "The industry used to calculate that the price of a generic version fell to less than 20 per cent of the branded drug's price within 18 months." says Mr Jim Hageman, the vice-president responsible for US generics at US company Upjohn. "Now you get the same price fall in under 12 months

This is welcome news for drugs buyers, but damaging for

# Price wars over name-dropping

Daniel Green on the commercial threat posed by generics to the world's top drugs companies

Generics: prescription for success



drugs producers. Earlier this month, the US company Syntex agreed to a \$5.3hn takeover by Hoffman-La Roche. Syntex had seen sales of its best-selling product Naprosyn, an antiinflammatory, fall by 60 per cent after the patent expired at the end of 1993, "Naprosyn prices have fallen as far as 95 per cent," says Mr Paul Freiman, Syntex chairman.

The Davids who are humbling these Goliaths are small but fast-growing companies. Goldman Sachs estimates that there are between 350 and 400 US generic drugs companies, of which nine count as "major independent firms" but only four have sales worth more than \$100m a year.

While sales of many generics are rising, it remains unclear whether companies reliant on them will generate sufficient profits to rival brand-name groups. Mr Peter Goldsbrough, vice-president in charge of healthcare at management consultancy Boston Consulting Group in the UK, says the generics business is driven by cutting costs and prices to a minimum to win market share.

"There will always be room for a few fast-moving companies," he says, "but the real winners may be alliances led by the big drugs makers."

This idea is already taking root. Bristol Myers Squibb, the second-biggest US drugs company, launched its US generics subsidiary in 1989 and claims it is now so big that it would be the country's seventh-biggest drugs manufacturer if it stood

Last week, Bristol Myers Souibb bought 25 per cent of a German generics company, Azupharma. The deal followed acquisitions this year by German chemicals and drugs makers Bayer and Hoechst of stakes in US generics companies Schein and Copley for \$310m and \$546m respectively.

ore important still are the takeovers by Merck of Medco, the US drugs distributor, last summer for \$6bn, and of Diversified Pharmaceuticals Services by SmithKline Beecham for \$2.30n this month. Defence against the threat of generic competi-tion is part of the rationale for these deals. Medco and Diversified are the middlemen of the drugs industry, linking the drugs companies with healthcare buyers. They offer a complete range of drugs and will now promote their owners'

products first whether they are

branded or generic drugs.

But such deals are an expensive and unproven means of defence by drugs groups against generics. Lawyers and chemists have a record for

beefing up old patents. Glaxo's Zantac was first patented in a crystalline form that proved difficult to produce. Eventually a secon more stable, form was patented and it is this version that has been so successful. The patents for the early version lapse next year while the later version is protected until 2002.

Glaxo's reliance on its newer Zantac patent was exposed in March when Ciba said it had found a way of manufacturing the earlier crystalline version of Zantac. Glaxo shares have underperformed since the Ciba announcement. In April Glaxo filed a patent-infringement suit in the US against Ciba, which is still 18 months away from

the launch of its generic rival.
SmithKline Beecham says it would have been happy to follow Glaxo and file a patent on an improved version of Tagamet. "We looked at that but it wasn't possible for us to improve Tagamet," says Mr Jerry Karabelas, president of SmithKline's North American pharmaceuticals business. Instead, SmithKline launched its own generic version of

Togamet last week. It will also supply the generic to Lederle, part of American Cyanamid the US drugs maker, to sell

only to pharmacies. But these strategies - sup-plying distributors with gener-ics and launching generics -

have their weaknesses. The now-subsumed Syntex decided it would supply the generics market but was overwhelmed by the number of competitors, according to experts at the US stockbroker Lehman Brothers. The UK company Zeneca, then part of ICL entered the generics market with a version of its heart treatment Tenormin. ICI's market share fell by 70 per cent in the two years after the patent lapsed in 1991 because the generic was too expensive and made customers more receptive to independent generic suppliers, adds Lehman Brothers.

The recognition is rapidly dawning on the drugs industry that despite efforts to counter the generics threat, there is only one genuine defence: new products with new patents. SmithKline Beecham, for

one, says this is a central plank of its anti-generics strategy. It will continue to fight to extract full commercial value from Tagamet, but it sees its future in two new drugs with potential to match the sales Tagamet enjoyed in its heyday: anti-viral Famvir.

But not every company has suitable drugs in clinical trials ready to come to the market as older drugs lose their patents. And relying on scientists to rescue the business is risky: the cost of research and development is about \$200m a product, while it typically takes seven years from patent application to market launch, with no guarantee of success.

The fact that SmithKline Beecham and others have decided to make new product development, however risky, the priority in fighting generics is an admission that branded prescription drugs will eventually succumb to unbranded rivals when their patents expire.

The decision to make new product development a higher priority than the defence of drugs whose patents have expired might be welcomed by governments, health insurers and employers eager to see lower prices for old drugs and prepared to pay a price for genninely innovative cures.

Drugs companies might like it less, but those that take this route fear that the alternative

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ers has been usued by TSB Fund Managers (Channel Islands) Loused and TSB Una Bruse Managers (Channel Islands) Limmed and sp (A member of LAUTRO and part of the TSB Machering Group),

#### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938, Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

# anti-US slur

From Mr Alan Cope. the spirit of myth-making" (May 5). Nigel Andrews refers to a movie that was "so good it did only medium business in the US", a country "where many people have not heard of Arthur Miller, Einstein or the

Pope". This kind of silly anti-American slur ill becomes a newspaper which is published for an international readership. Alan Cope,

From Mr Keith Burgess.
Sir, Your article, "Whitehall waste over consultancy pro-

jects attacked" (April 26), and the Cabinet Office report

which it cites, are incomplete

and inaccurate regarding the contribution made by manage-ment consultancies to govern-

The quoted figure of £10m

grossly understates the savings

our members are in fact able to

Because the total savings are

unknown, it cannot be

assumed that they are negligi-

Management consultancy is about creating wealth, encour-

Sir, The "business as usual"

tone of the comment following

the collapse of the CrossRail

bill ("Search starts for a way to revive CrossRail", May 12) and

your editorial comment ("CrossRail debacle", May 12)

It would appear that the eco-nomic return from investing in CrossRail is inadequate and

that the Commons committee was mindful of this when

You remark that the Jubilee

Line was given the go-ahead as a political gesture; but to go ahead with the CrossRail proj-

ect would be to repeat the

From Mr David Starkie.

surely miss the point.

blocking the bill.

CrossRail would be folly

918 Osage Road. Pittsburgh, Pennsylvania 15423,

#### Unbecoming | US action blatantly | Link relief contradicts free trade

From Jörg Schimmelpfennig. Sir, Export promotion quite often is not only the obverse of trade protection, as your leading comment states ("Uncle Sam, salesman", May 16), but is virtually equivalent to

With decreasing average costs - which is certainly the case in the aircraft industry winning an export order enables companies such as Bosing to reduce their domestic prices and still earn what is a genuine, that is unsubsidised, profit on the resulting domestic orders. Accordingly, promoting

Consultants are more than cost-cutters

aging best practice and transferring skills.

It is not merely about cutting

costs.
The Cabinet Office report

agrees that consultants make a

significant contribution to achieving important government objectives. They also provide

invaluable assistance in man-

aging change programmes and

other fundamental reforms.
The report makes clear, however, that there is little

attempt by government to

track expenditure or to assess

value for money with regard to consultancies, and it argues

that more should be done in this respect.

investment in public transport

infrastructure, but let us

invest wisely.

Projects with good social cost benefit returns do exist.

But these often appear to lack

the glamour of the mega project or they serve less politi-

cally charged interested

Nevertheless, in the long run

the economy will be better served by the adoption of a

more rational and consistent

approach to transport invest-

David Starkie, Putnam, Hayes & Bartlett, Lansdowne House,

Berkeley Square,

exports to Saudi Arabia is at the same time a most elegant way to prevent possible foreign competitors from gaining access to US markets as

Consequently, the trade policy currently employed by the Clinton administration stands in blatant contradiction to the free trade philosophy which it sermonises so emphatically, but nonetheless hypocritically, Jörg Schimmelpfennig,

Department of Economics, Universität Osnabrück. D-49069 Osnabrück,

The MCA wholeheartedly agrees with this point. Much can be achieved through

improved purchasing, greater accountability and fol-low-through to obtain better

value for money.

It would be a great shame if a report, which is intended to

produce such changes, is used

to pillory one of the most pow-

Keith Burgess,

Association), 11 West Halkin St,

Use your

Euro vote

From Mr Martin Roper.

Sir, Much has been written about the question that needs to be asked in any referendum

concerning the UK's future

But the disenfranchised elec-

torate now has the chance to

take part in an unofficial refer-

endum with no questions

To pencils, citizens!

Vote for your MEP of choice or spoil the ballot paper in

Martin Roper.

Forest Hill,

London, SE23 3BJ

23 Horniman Drive,

within the European Union

London, SW1X &JL

# high-risk activities.

to level of

waste that can result when the parameters defining the quali-fying activity are drawn too tightly. In comparison, the legislation on Employee Share Ownership Trusts occupies 10 pages of the Finance Act 1989, but one can count the number of ESOTs set up on the fingers of one hand.

Let us hope that this will not be the situation with VCTs. This is particularly so as tax relief for specific activities is a form of subsidy. This relief is given at the

expense of taxpayers. It can be justified only where it effectively promotes a credible government policy.
For VCTs the investment

mix will be crucial. This could best be dealt with by introducing a tapering relief.
A VCT would decide the percentage of funds it would

erful forces stimulating such invest in "qualifying companies", subject to a collar of, say, 65 per cent. The greater the proportion of funds to be so invested, the greater the tax relief available to the VCT Management Consultancies

> A VCT prepared to invest more than, say, 90 per cent of its funds in qualifying compa-nies would allow its investors' gains to be completely tax free. A VCT prepared to invest only 65 per cent of its funds in qualifying companies would allow its investors' gains to be taxed at, say, half the normal

Partnership with private industry is an efficient use of resources to promote government policy. Efficiency requires some flexibility. A tapering relief would provide

It would be a shame if it was possible to count the number of VCTs on the fingers of one Vishvas Kanji,

Fox Williams, City Gale House, 39-45 Finsbury Square, London EC2A 1UU

investment From Vishous Kanji.
Sir, Venture capital trusts are intended to provide a much needed source of capital for unquoted companies trading in However, your article (Management: "Will the bait be tasty enough?". May 10) reminds us of the shameful

#### FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday May 18 1994

# Chernomyrdin sees the light

as Russia's prime minister because he had a proven track record of running a successful Soviet enterprise. He was not picked because of his grasp of the economic and management skills required to shift a centralised and militarised economy towards a decentralised, market system.

But the policy statement published in this newspaper on Mon-day indicates, at the very least, that Mr Chernomyrdin has been persuaded by 18 mouths in high office that currency stability is a top priority and that potential foreign investors require a stable legal and tax regime and have to be wooed, not grudgingly toler-

These are important conclusions, reflecting a marked shift away from the attitudes with which Mr Chernomyrdin assumed office. Gasprom, the gas enterprise he once controlled, was always a ferocious lobbvist for more funds and fiercely resistant to foreign investment in one of Russia's industrial "crown jewels".

Mr Chernomyrdin appears to have taken on board both the advice of the international institutions and the reform experience of central Europe and the former Soviet Baltic states, especially Estonia. He portrays himself as a convert to the virtues of positive real interest rates and tightly controlled budgets. As proof, he points to his government's perseverance with anti-inflationary policies in the face of a 25 per cent decline in production and screams of pain from the powerful military, industrial and farm lobbies.

Such perseverance is brave. But, as Mr Chernomyrdin now concedes, there is no alternative. The really difficult part still lies ahead. Monthly inflation of 7-8 per cent is better than 30 per cent, but it has to be reduced still further if the preconditions for stable growth are to be established.

Loss-making plants

1 1 1

It is hard to see how inflation can be reduced, however, while the prime minister continues to argue that the loss-making plants which sustain employment and social amenities in "hundreds of cities and towns throughout Russia" have to continue in production. These plants and cities were built in defiance of economic logic to serve a militarised economy which has to be largely dismanenterprises, responsive to the structures.

producing the goods and services required to build a market-based

Equally clearly, however, the millions of Russians who live and work in such communities cannot simply be abandoned to their fate. Devising a social security frame-work which would allow the Russian authorities to provide unem-ployment pay, and to retrain and relocate workers and their families away from what were often in origin Stalin-era prison labour camps or cold war bastions. should become a top priority for co-operation between the Russian western governments.

Managed decline

At the same time, however, the leaders of Russia have to keep in the forefront of their mind that the new economy which will eventually grow out of the wreckage of the Soviet model will not be a modernised version of the old. An economic policy which concentrates on revamping and modernising thousands of Soviet-era plants is not likely to leave enough resources for budding entrepreneurs to build enough new factories and plants on greenfield sites. Nor will revamping the old release sufficient resources to permit the development of the service industries which have been so woefully lacking in the past and which provide such a high proportion of employment and wealth in contemporary market economies elsewhere in the

Mr Chernomyrdin is right to focus upon the need for financial and monetary stability and is well placed both to understand the fears of state sector managers and to explain the need for managed decline of the state

But his main energies should be devoted to extending privatisation and encouraging both foreign investment and the domestic entrepreneurs. The private sector already provides more than 50 per cent of the jobs in the booming Polish economy, and is rapidly increasing its share in other former socialist economies

Russia, with its skilled labour force and resources, is perfectly capable of developing a modern economy along similar lines. The trick is to release the energies of those capable of using Russia's potential wealth in a creative and to allow the development of new much energy propping up the old

# Oil on the rocks again

When the Braer, the Liberian registered oil tanker, smashed onto the rocks of the Shetland Isles in January 1993, spilling 85,000 tonnes of crude oil, the public and MPs understandably called for immediate measures to prevent such a disaster occuring again. Lord Donaldson's 500-page report into the implications of the wreck for merchant shipping, published yesterday, says that the call should be needed.

The picture Donaldson paints is of an industry in near-trisis: suf-fering from "vast overcapacity". siender or non-existent profit margins, and an unwieldy system of safety regulation. His team was "shocked", it says, to discover that there had been 67 incidents poten-tially as serious as the Braer in UK waters last year.

Of the team's 103 recommendations, the main one - more regular inspections by ports of ships maintenance - appears both to be workable and to stand a chance of improving safety standards. Under this proposal, European ports would delay the granting of per-mission to load and unload cargo for ships which did not comply

with inspections.

Donaldson is right to identify maintenance standards as the heart of the industry's poor safety record. He avoids, too, the temptation of calling for further changes in ship design. There is no evidence that the double-layer hulls incorporated in new tankers since 1993, in response to the Exxon Valez disasters off Alaska, would have seved the Braer.

Public concern

However, Donaldson's recommendation that the UK should surround itself with a network of salvage tugs to help struggling tankers appears more of a gesture to public concern - and potentially an expensive one - than an effective policy. Tugs were available to tow the Braer, but the cap-

tain delayed in alerting them. Similarly, the report's endorsement of the costly practice of spraying oil slicks with detergent to dispurse them is open to challenge. Environmentalists say the detergents are as harmful to marine life as oil pollution, while one of the lessons of the Shetlands is that the force of the waves can be the most effective tool for dispersing pollution.

However the report's most seri-ous omission is its failure to find more ways, in its own words, "to make it unprofitable to cut corners". The key is tackling the shortcomings of the present inter-national rules on liability for shipping pollution.

The Torrey Canyon spill in 1967 gave birth to the Civil Liability and Fund Conventions, under which shipowners limit their liability for oil spills to several hundred million dollars. Two voluntary compensation regimes known as Toyalop and Cristal, financed partly by levies on the oil industry, cover countries which have not signed the conventions.

Liability limits

Maximum liability under these schemes has been rising steadily by more than 20 per cent under Tovalop and Cristal for the cur-rent year. A further rise in liabil-ity limits should be encouraged, given that the sums still amount only to a tiny fraction of the costs of cleaning up.

That is not to back the scale of

liability in the US, where Exxon has already paid more than \$2hn for the Valdez incident. Pitched at too high a level, insurance rates soar and pressures on a struggling industry intensity. What is needed is something midway between the Governments also need to find replacements for the voluntary schemes, which expire in February 1994, or press more countries to ratify the conventions. The low level of compensation for non-oil pollution - which runs at only about 20 per cent of that for oil represents another troubling gap

in the present regime. The Donaldson report focuses mainly on measures within the UK government's control But, as it recognises, most of the toughest problems are international in cause. That is the arena in which solutions need to be framed.

the start of the year, US Federal Reserve chairman Alan Greenspan was credited with unusual sagacity. His adroit manipulation of monetary policy over the previous four years had restored the capital of the US banking system and averted a

Today things look altogether different. The financial community is nervous and critical, following successive increases in interest rates that have rattled global markets. Politicians in Congress fear that the high volume of trading in derivative instruments such as swaps, futures and options could lead to a disaster to match the recent savings and loans flasco. The stability of the US financial structure is once again being questioned against the background of exceptional market vola-

At first sight, that seems paradox ical. If the banking system has been recapitalised and profits are healthy, why worry? Yet the very success of Mr Greenspan's gigantic market-rigging exercise, in which interest rates were held at negligible levels in real terms while the banks traded their way out of trouble, has distracted attention from a radical change in the structure of the banking system. Of far greater long-run importance than the noisy debate about derivatives and hedge funds is the way the biggest whole sale banks - dealing mainly with governments, institutions and companies - have been shrinking their deposits and loan books as they turn themselves into high-octane global marketmakers and dealers, trading in a vast range of on- and off-balance sheet instrum

The visitor to Wall Street is left with the impression that the pace and scale of financial innovation is such that no one can be sure how much capital banks really need to support these activities. Small wonder that, in a report due today, the US General Accounting Office is expected to call for more stringent capital requirements.

The low stock market rating accorded to many big commercial and investment banks also suggests that high profitability may reflect nothing more than increased risktaking. The falls in the biggest US banks' trading profits in the recent first-quarter figures lend credibility to that view. Much the same applies to the investment banks, which the commercial banks increasingly resemble. Salomon Brothers, says its chairman and chief executive officer. Deryck Maughan, went into 1994 with the largest inventory (of financial instruments) in its history. Others were almost certainly in the same position before the storm struck, when the Fed raised interest rates on February 4 for the first time since 1989.

If the investment banks adopted the opposite of Japanese just-intime inventory control last year, the big US commercial banks are becoming more like their Japanese equivalents. Their capital is increasingly vulnerable to market fluctuations, but without the prop of Japanese-style hidden reserves or the albatross of crippling Japanese bad debts. This stems from an approach to banking which reflects the belief diation – raising deposits and lending to borrowers - will increasingly be undertaken by markets instead

A growing proportion of such market activity is driven by high technology and relentless innovation, notably in derivatives. The merit or otherwise of the doubters' concerns about new instruments will be explored in a subsequent article. What matters here is the big transformation in the composition of bank revenues and balance

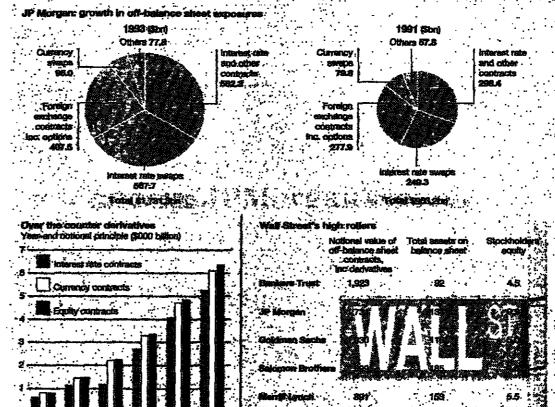
Consider Bankers Trust, whose visionary chairman Charles Sanford regards run-of-the-mill commercial banks as no more than inefficient mutual funds that do a poor job for their depositors. He expects conventional bank intermediation to have largely disappeared by 2020 and is tailoring his banks' activities

accordingly. Between 1989 and the end of 1993,

John Plender explores the impact of trading in derivatives and other financial instruments on the US banking system

# High-wire act in a bear garden

The changing face of US banking



Mr Sanford's loan book shrank from \$18.4bn to \$13.9bn, while the financial instruments that Bankers Trust trades on its own account rose from \$12.2bn to \$48.3bn, equivalent to more than half its total assets. Last year revenue from own-account trading, at \$1.6bn, exceeded net interest revenue of \$1.3bm for the first time; and that understates the dependence on trading because net interest revenue included more than \$600m that was related to ownaccount trading Meantime the notional amount of

instruments such as derivatives, which do not appear on the balance sheet (and whose absolute value in the accompanying tables and charts is less meaningful than their relative value and the year-to-year trend) has soared from \$461hn to \$1,900bn over the period. Equally striking is that the credit risk in relation to counterparties in these off-balance sheet contracts stood at balance sheet, whose stockholders' equity amounted to just \$4.5bn.

Bankers Trust is the extreme case of a bank turning itself into a hugely leveraged (highly borrowed) investment dealing company. But others have comparably radical strategies. The giant of the indus-try, J.P. Morgan, has seen its net loan book shrink from \$26bn to \$23.2bn over the past five years, where it accounts for a mere 17.3 per cent of total assets. Yet the balance sheet total has increased from \$89bn to \$134bn, with more than two-thirds of the increase coming from the rise in the value of trading account assets. The notional amount of off-balance sheet exposures has risen more than threefold

to \$1,700bn in that time (see chart). Much the same process has been at work in the investment banks. When Morgan Stanley went public in the mid-1980s, its prospectus showed own-account transactions

amounting to 13.5 per cent of net revenues. In the latest financial year the comparable figure was 38.9 per cent. There were no figures in the original prospectus for swaps and other derivatives, whose notional value stood at \$629bn in Morgan Stanley's latest accounts.

Reporting accountants Arthur Young presumably took the view that they were not sufficiently material in 1986 to require disclo-

There were equally dramatic increases in off-balance sheet activity at Salomon Brothers, which has traditionally been heavily dependent on trading for its own account;

Few doubt US banks have mapped out the future for wholesale finance. Up to a point it works

also at Goldman Sachs and Merrill Lynch (see table). And the big European universal banks are now following suit, leaving the heavily regulated Japanese far in the

Few on Wall Street or in London doubt that the US banks have mapped out the future for wholesale finance. Up to a point, it works. Having lost most of their biggest clients after Mexico's default in 1982, when companies discovered that they could cut out the banking middleman and go direct to the markets for funds, the banks have found a new way of ingratiating themselves with their former corporate clients. Risk management and trading products provide an answer to the shortage of bankable assets that followed the third-world debt crisis. The problem is to identify the

nature of the risks and profits Charles Sanford at Bankers Trust

argues that, if banks constantly adjust the value of their financial instruments to market value known as "marking to market" - credit problems will be perceived much earlier than with conventional bank lending. Most institutions that use derivative instruments will only deal with counterparties who have a respectable credit rating. In this kind of world, Mr Sanford claims, the less developed country debt problem would not have happened. "Bank lending," he boldly asserts, "is the most risky thing we do."

Certainly it is hard to deny that these new-style bank balance sheets, with more trading assets than loans, are inherently more liquid than in the past. All the leading players have developed proprietary computer systems, which are capaon a variety of assumptions at the press of a button. They have riskweighted capital disciplines that are far in advance of the current global guidelines laid down by the Bank for International Settlements.

As Salomon's Deryck Maughan puts it, the big US commercial and investment banks are running larger market risks than five to 10 years ago. "But they are better equipped and better capitalised," he adds, "and have the capacity to manage these risks." Salomon, in fact, appears more highly leveraged than most (see table) and it would have taken a fall of only 3.9 per cent in the value of those financial instruments actually on the face of its end-1993 group balance sheet to wipe out the whole of its capital.

But the company has long argued that such conventional measures of leverage are misleading, because they give no indication of the quality or liquidity of assets, or the risk

in off-balance sheet instruments. On its own preferred measure of working capital to equity, it has managed to reduce its leverage substantially since 1990, a period in which its conventional equity-to-assets ratio deteriorated and its off-balance sheet exposure exploded.

These sophisticated apologetics notwithstanding, the stock markets remain sceptical. One reason, according to John Kriz of the credit rating agency Moody's, is that over the past 20 years we have been told "by statesmen of the banking industry, and by technicians as knowledgeable in their particular areas as any derivatives specialists, that their activities were prudently controlled and did not entail excessive risk". Then came the third-world and real estate debt crises.

Another answer might be that new-style balance sheets, in which capital is perpetually expanding and contracting in volatile fashion have not been tested in protracted bear markets. Moreover, while banks have reduced their own balance sheet leverage by increasing capital, the leverage inherent in the instruments and markets in which they deal has increased vastly. It is not simply that derivative instruments are, by definition, more volatile than the underlying cash markets. In effect, the banks are involved in a Faustian compact with the markets, whereby their own pursuit of profit can simultaneously jeopardise their capital.

edging risk through options trading provides an example of the double-edged nature of the game. Because option portfolios continually become un-hedged through price movements and the passage of time, constant trading is necessary to re-establish the hedge. This is a marketmaker's dream. Yet re-hedging requires traders to sell into falling markets, which is inherently destabilising - especially when combined with margin and collateral calls. A reduction in risk for the individual hedger increases the aggregate risk in the market.

The leverage in instruments that do not strictly belong in the derivative category can also be buge, points out Stephen Thicke, co-head of corporate risk management at J.P. Morgan. Mortgage-backed securities are an obvious example. When interest rates rise, fixed-rate mortgage holders are slower to repay. The potential life of a mortgage-backed security is thus extended; and because investors receive their principal later, they lose the chance to reinvest at new, higher rates.

The duration of the mortgage component of the Lehman Brothers Bond Index, covering some \$1,200bn of outstanding mortgage paper, rose in March from 3.47 years to 4.35 years following Fed tightening. Morgan's analysts calculate that to offset this increase in the duration of the portfolio - which is important for institutions that have to match their investments to liabilities that fall due over time - inves tors would have had to sell the equivalent of about \$140bn of 10year Treasury bonds or nearly \$250bn of five-year Treasuries.

have had to do so where, for example, they were tracking the mortgage-backed securities index. Even so, the astonishing magnitudes involved help explain why the US bond market has an inbuilt and growing tendency to overshoot. It is a tribute to those who have been playing these new, high-risk games that, in the bear garden that has prevailed since February, bankruptcies have been confined to marginal participants

But the test is not over yet. The Fed will continue to raise rates, the banks will shed more of their \$300bn-plus portfolio of public sector debt, as credit demand increases in a stronger economy; and US bond and income mutual funds could face withdrawals after years of positive cash flow. A further article next week will look in more detail at the risks to the system as these high rollers move through uncharted ter-

# **Difficulties**

# with a girl

■ John Smith's death may have thrown the Labour party into confusion, but at least there is now a bit of time in which to craft an elegant solution to the leadership quandary. Pity Bill Clinton, who has to make a hastier decision.

Into his diary for June 4 had been scheduled the US president's first ever meeting with Smith - in Portsmouth so that he could step straight on to the D-day flotilla. What, though, does Clinton do now? Acting leader Margaret Beckett seems to be viewed as a less than

wholly sultable subject for Clinton's undivided attention - seeing that she won't get the job full-time.
If he embarks on a session with the entire party leadership, on the other hand, he could be accused of interfering. Some Japanese

apparently took offence last July when Clinton earnestly chatted up Morohiro Hosokawa, then only the leader of a small political party, at a time when Kiichi Miyazawa was still prime minister. It's a wonder he ever ventures

out of the Oval Office at all. Oiling the rungs

Oil explorers are not normally the politest bunch. Hence there is some surprise at the remarkable civility of

Enterprise Oil's hostile bid for fellow explorer Lasmo. Both sides have been busy dissecting each other's record and cost of finding oil, and have avoided getting into personal slanging matches about the size of the chairman's expense

This may all change in a week or two. However, there is a possible explanation as to why Enterprise's criticisms of Lasmo management, a key part of its offensive, have

so far been relatively muted. Could it be that Graham Hearne, Enterprise's chairman and chief executive, may try to rally flagging City support for his bid by offering Joe Darby, Lasmo's chief executive, the same position in a combined company? That would be a bit tricky if he had trashed Darby's regulation in the hattle

Stranger things have happened After all, Hearne is 11 years older than Darby and his reputation in the City would be enhanced if he agreed to split his own role as chairman and chief executive. And no doubt the problem of what to do with Lasmo chairman

Rudolph Agnew could be solved

with a handsome cash settlement.

Going for gold ■ Broken Hill, Kalgoorlie..?

Forget it. The latest Australian gold mine is located far closer to the department of consumer affairs for New South Wales.

Observer



Unfortunately, though, the government has noticed - and shut

Since Sydney won the right to stage the Olympic Games in the year 2000, some 240 smart alicks have registered business names incorporating the likes of "Olympic", "Sydney 2000" and "Games City The idea is to flog them on, in

due course and for a suitable sum. to the sports marketeers. With local Olympic sponsorship revenues expected to exceed A\$425m, the authorities have had a bit of a panic about how to protect their brand from "ambush

marketing". Hence the state law decreeing

that entrepreneurs will need government consent to use any such title – which they won't get.

#### Pet hate

■ When is a leak not a leak? When it is "enterprised without our help". This was how Xerox explained why its new digital publishing strategy somehow appeared in the US press before being announced to an eager In terms of business jargon, the

US continues to lead the world. A Texas firm, for example, reported recently that one of the benefits of its labour-saving process was retarded headcount growth". But US jargon producers are facing increasing foreign competition. A college at Guildford, England, has just scrapped its four

student faculties and replaced them with "curriculum delivery units". Meanwhile, the World Society for the Protection of Animals has come up with a politically correct alternative to a pet. It is a companion animal.

#### Men only

■ Baroness Castle obviously still thinks that the status of honorary man is just too much. Known as the strong man of the Wilson cabinet when, in 1969, the then Barbara Castle unsuccessfully tried to reform the trade unions with her white paper "In place of strife". now, a quarter of a century on, the battle is still not won.

Is it not a breach of the Sex Discrimination Act 1975, she will ask Lord Wakeham, Leader of the Lords, for the term "My Lords" to be used to address a chamber of male and female peers of equal

#### Flagwaver

■ It sounds like Geoffrey Martin, the acting head of the European Commission's London outpost, has finally got the job as the EC's official London flagwaver.

A year has passed since John

Drew quit the job and there has been strong pressure to reserve the post for a friendly Tory MEP who failed to win re-election next

Martin, 53, an Ulsterman, is not the normal kind of Brussels bureaucrat. He was president of the National Union of Students while at Belfast's Queen's University, then ran the housing charity, Shelter, and worked for the Commonwealth Secretariat before joining the Commission. A European-friendly equivalent of Des Wilson, perhaps?

#### Stampede

Why were the naughty wildebeests the first to cross the plain?

Because bad gnus travel fast.

Impact softened by end to 'double-counting' | Nuclear

# Lloyd's losses rise to £7bn on US liability

By Richard Lapper in London

Lloyd's, the London insurance market, yesterday reported a loss of £2.05bm for its 1991 year of account, bringing cumulative losses since 1988 to more than

An increase in reserves to meet US liability claims, mainly from asbestos, pollution and other health hazards, was the single largest factor in the result, according to Mr David Rowland, Lloyd's chairman.

Mr Rowland said the loss would put further strain on Names, the individuals whose assets have traditionally supported the market, but dismiss fears that it would affect its ability to continue trading.
"Lloyd's has had terrible losses

but we will trade forward as certainly tomorrow as we have for the last 300 years," he said. The market, which reports its results three years in arrears, softened the impact on Names by

taking into account some £533m

of so-called "double counting" for the first time. This occurs when Names who have made losses make claims of their own against

• "stop-loss" policies (which provide cover for losses over preset limits), • "errors and omissions" policies (which give cover if agents are successfully sued for negli-

• "estate protection policies" (which cover the losses of

The elimination of double-counting also allowed Lloyd's to reduce its 1990 loss, reported last June, by £596m to £2.32bn. Lloyd's will allow Names to borrow against profits, which the

market expects to make this year. Sharp rises in insurance rates over the last two years are allowing most syndicates to underwrite profitably, with profits also expected for the 1993

Managing agents, who administer syndicates, are being encour-

they have no immediate need for funds. Even so, Mr Rowland con-ceded that the market would call cash "of the order of £1.6bn to £1.7bn" this year. There are fears that many Names, especially those who are taking legal action to recover their losses, may be neither willing nor able to pay.

"The sums needed are usually only obtained with a mask, a gun and a getaway car," said Mr Tom Benyon, director of the Society of Names, which represents lossmakers. "The 'cannot and will not' losses will have to be picked up by other Names with the deep-

est pockets," he added. Other critics suggest that the loss will impair Lloyd's ability to pass its annual solvency test, when the ability of Names to meet liabilities is assessed.

Mr Rowland insisted, however, that Lloyd's would meet all regulatory requirements.

Details, Page 8

# China agrees to talks about Hong Kong airport finance

in Hong Kong

Britain and China have agreed to meet on Friday to discuss the financing of the disputed Hong Kong airport project, in what will be their first such meeting since August last year.

The talks will mark another step towards normalising Sino-UK discussions on Hong Kong's future, although it is unlikely that the two sides will be able to announce a quick resolution of their two-year dispute about how to finance the airport.

Since March, there has been a move by Beijing to separate economic issues from those relating to Hong Kong's political reforms. It remains unclear, however, whether China will want to agree on an airport financing arrangement before the Legislative Council debates governor Chris

ng background talks that have taken place in the past two

it resumes control over the col-

Two years ago, the Hong Kong government hoped that all but HK\$16bn of the HK\$85bn could be raised in international debt markets. But, in the face of Chinese opposition, the government has

equity contribution to HK\$60bn. Another issue which is important to China is the amount of

this proposal, fearing that property prices might be upset by the additional land release.

not stopped the project, much of which is government funded and decisions in coming months in

they have done over previous But Pyongyang is likely to make enough concessions to pre-vent the UN from proceeding

the current inspections are com-pleted, it would hold another matic recognition and economic aid.

The Hong Kong government said yesterday it hoped the meeting of the airport committee would lead to early agreement. Officials said it should now be possible to make progress follow-

At issue in Friday's meeting is the split between debt and equity for the airport and its connecting railway. Together, these two projects will cost about HK\$85bn (\$11bn), prompting complaints from Beijing about the level of debt to be inherited in 1997, when

#### land, principally alongside the airport runway, which will be sold to finance construction of the project. The Hong Kong government has maintained that the staggered release of this land, about 60 hectares in all, should he "additional" to the release of land governed by other Sino-British agreements.

The Chinese appear to object to

However, the absence of an overall agreement on finance has outside the ambit of Sino-British talks. But the Hong Kong government will have to face difficult the absence of an agreement with

# Globex dealt blow by Liffe refusal

Continued from Page 1

have denied us further development of our preferred linkage strategy and would have meant withdrawal from our Euroyen discussions with Tiffe, Tokyo's financial futures exchange," he

vented from extending its automated trading system beyond the current hours of use. "These restrictive conditions were totally unacceptable to the Liffe board," Mr Durlacher said. Ms Rosalyn Wilton, Reuters'

**Europe today** 

Low pressure will make most of Europe unsettled. A depression over northern italy will cause thunder showers which will spread to central Italy, eastern France and the western Balkans. A westerly upper air current will direct broken cloud into Portugal

and Spain, producing rain in northern regions. Warm, dry air from Africa will move into Greece, the Balkans and Turkey giving

plenty of sun and temperatures rising quickly into the thirties. The Benefux, Germany, northern Poland and the Baltics will be cloudy. Showers will develop with a small risk of thunder. Finland will have some sun but southern Scandinavia will have

It will be warm and sunny over south-

eastern Europe until late in the week when colder air accompanied by thundery

showers will replace the warm air in the

reaching France on Thursday will linger

during the weekend giving unsettled

Balkans, Greece and Turkey. A depression

conditions over Spain, Portugal and the Low

scattered rain.

**Five-day forecast** 

Liffe would also have been pre-

managing director for transaction products, said although she was disappointed, she believed that Globex's future was not dependent on the participation of large exchanges. She pointed to the success of Matif, the smaller Globez partner, whose products now account for 80 per cent of

the volume on the system. Nevertheless, observers said Liffe's participation would have gone a long way in providing the critical mass which Globex needs to survive. Mr Alastair Smellie, a media analyst with the US investment bank, Lehman Brothers,

HIGH

HIGH

FT WEATHER GUIDE

there are no two ways about it. The success of Globex is dependent on a critical level of vol-

Reuters is believed to have invested \$100m in Globex, which it hopes will evolve into a worldwide, round-the-clock trading system. Since its launch in mid-1992, volume on Globex has been disappointing. Even this year, with volatile financial markets boosting derivatives contracts, volume remains below target. Shares in Reuters fell 7p to 485p in London, against a rising market.

# inspectors start key tour in N Korea

will determine whether the US will press for economic sanctions by the United Nations Security Council against the North or hold further high-level talks as

Washington has warned that extensive removal of the fuel rods would force it to ask the UN for economic sanctions, though China has indicated that it would oppose such a move. The IARA inspectors will also try to complete an examination of a suspected nuclear processing plant to which they were denied

North Korea is also barring the IABA from access to two undeclared sites that are The IAEA wants to examine

the nuclear waste, in addition to the fuel rods, to determine whether the North has previously diverted plutonium from its reactor for its suspected

UN Security Council for action. But the North may only allow inspection of the two undeclared sites in return for US conces

Analysts believe the IARA and North Korea may differ on the scope of the new inspections as

Agency will begin a critical inspection today of North Korean nuclear facilities that could prove to be a turning point in the dispute over Pyongyang's

nuclear programme The outcome of the inspection

demanded by Pyongyang.
The three-member IAEA team will try to fulfil two goals. One is to determine whether the North has removed, without international supervision, a substantial that power its 5MW reactor, which would be a violation of the nuclear non-proliferation

North Korea last week reported to the IAEA that it had started to replace some "damaged" fuel rods, but the extent of that operation is unknown. The US is worried the unsupervised removal of fuel rods would allow the North to divert the nuclear fuel for the production of four or

access in March.

believed to store nuclear waste.

nuclear weapons programme. The IAEA has warned that if the inspection is not completed by mid-May, the agency will refer the nuclear dispute to the

with formal action against it.
The US has promised that if round of high-level talks with North Korea on possible diplo

# THE LEX COLUMN

# Hanson's cash flows

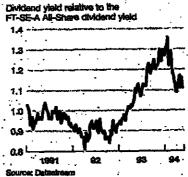
The return to dividend increases at Hanson has come faster than expected. The conglomerate froze its dividend only last December as gearing levels mounted. On the face of it, the group's financial position has improved since then, but not that dra-matically. Gearing at endMarch was 69 per cent compared with 86 per cent last September. But disposals brought in £898m, while share issues - mainly through the exercise of warrants - knocked another £116m off debt. Operating activities produced a post-tax

Hanson argues that the underlying position is better. Once one-off cash outflows associated with the Quantum acquisition, the Peabody coal strike and the change in the group's interest payments are taken into account, operating cash inflow was actually £100m. Moreover, Hanson's highly cyclical businesses have started to pick up and are expected to improve further in the second half. Volumes are going up and price rises can increasingly be made to stick.

Hanson says it is prepared to return to the acquisition trail if the right acquisition comes along at the right price. But a sizeable acquisition now would be premature. Investors will probably want first to see operating cash flow covering the increased dividend and gearing below 50 per cent. Still, such a prospect is not far away. The continuing economic recovery should see to cash flow. Meanwhile, the exercise of another tranche of warrants later this year should reduce debt by £200m with disposals next financial year bringing in perhaps a few hundred million pounds more. By this time next year. Hanson could be ready to leap.

BOC spent most of last year trying to dampen the market's expectations, finally by announcing that, for the first time since the early 1970s, it would not increase its dividend. Yet yesterday's interim statement struck an optimistic tone, pointing to early signs of volume growth in gases. Since demand for gases is a fair indicator of industrial activity, that suggests consumer-led recovery in the Anglo-Saxon world is finally taking root in the

Many of the special problems which afflicted BOC last year are also easing. The pharmaceuticals division seems to be recovering after losing the US patent on Forane, its staple anaesFT-SE Index: 3123.5 (+7.9)



thetic. While there could be a relapse if more companies choose to manufacture cheap generic versions of the drug, BOC has moved to protect margins by cutting costs. Any further margin squeeze in industrial gases should also be offset by the benefits of restructuring. If prices start to rise, BOC will be well placed to benefit.

The brighter outlook leaves the equity market in something of a quandary. After a decade yielding less than the market average, BOC's shares were pushed to a handsome yield premium last year. With the growth prospects seemingly restored the yield pre-mium should logically be unwound. Yesterday's 4 per cent rise in the shares is a step in that direction. Having been so sorely disappointed last year, though, investors will be wary of taking a giant leap.

#### Allied-Lyons

Allied-Lyons' annual results produced a predictable combination of strength in spirits and retailing, offset by weakness in beer. Though the joint venture with Carlsberg is improving after a disappointing start, it remains a drag on performance. The underlying contribution from beer to last year's earnings fell by 14 per cent even including the interest on the £135m cash payment from Carlsberg when the venture was set up. That will only reinforce the belief that brewing, like food, lacks a long-term future within the group. Meanwhile, though, Allied's management seems finally set to reap the benefits of the transformations it has wrought in spirits and retailing.

Like Grand Metropolitan, Allied has had its disappointments in the US spirits market, but it is making inroads in eastern Europe and Domeco should bring opportunities in South America. Similarly the improving quality of its pub estate and a greater focus on food helped produce a 7 per cent increase in underlying profits

ysolicist, 2

West L B

from retailing.

The test will be whether Allied can use this growing strength to generate more cash. Gearing fell only slightly last year to 70 per cent. Domecq produced only £9m in net cash last year, but this was after payment of £25m in dividends and there may be scope to reduce the £38m negative cash contri-bution from working capital. If it can start reducing its debt by generating cash from operations as well as disposals, Allied will be able to claim its strategy has been vindicated.

#### Lloyd's

It is the composition rather than the scale of Lloyd's loss for the 1991 underwriting year that gives greatest cause for concern. Business actually written in 1991 showed an underwriting loss, but notably less than the previous year. If that improvement continues, policies now being written should be profitable. Yet Lloyd's syndicates felt obliged to add £1bn to reserves to cover claims on policies written many years before. That is 70 per cent more than was set aside in the 1990 underwriting. While the pain from old years continues to mount, Names will not feel the benefit of business now being

How much more pain is to come remains a matter of conjecture. Proposals for reform of US Superfund leg-islation could help reduce pollution claims. But the timing and impact of any reform is impossible to judge. Claims in areas such as asbestosis and professional indemnity insurance show no sign of abating. While Lloyd's appears to be better reserved than many US insurance companies, there is no way of knowing whether its reserves are sufficient.

The plan to ring-fence old liabilities within a new company still looks the best hope of solving the problem. If there are not enough reserves set aside already to make the ring-fence secure, though, Names will again be asked to contribute. An audit of liabilities and reserves across Lloyd's should give a clearer picture. The results of that audit, together with haggling in the US Congress over Superfund, will determine whether Lloyd's can escape the legacy of the past.

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-Weighing up the Options -

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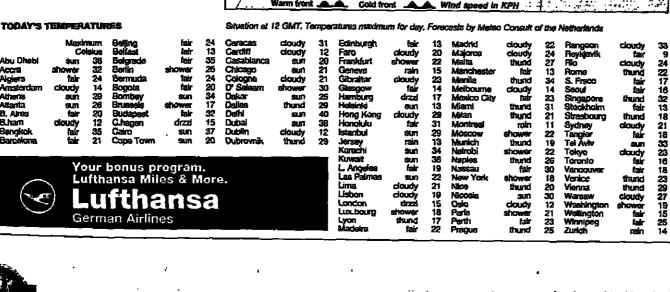
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Acquisitions







out on

loan to

**By Robert Peston** 

**Banks** hold

Eurotunnel

A dozen international banks with substantial exposures to Eurotumel were last night refus-

ing to provide new senior debt for the Channel tunnel opera-

tor's refinancing. Yesterday evening, 24 hours

after the formal deadline for

raising the funds, members of Eurotunnel's 200-bank syndicate

had made commitments to pro-

vide just over 2500m (\$750m) of the new debt, still well short of the 2700m target.

The company has also not yet received formal approval from banks for its refinancing, including changes in its loan agree-

ments, to avoid it being in breach of covenants. Votes have been received from 80 per cent of

banks, compared with the 90 per

About half of the recalcitrant

banks are Japanese. However, a principal lender to the group said that some European banks had also not yet made any com-mitments to provide the new

"It is all moving in the right

direction, albeit slowly." a Euro-pean banker said. He was hope-

ful that those big banks holding out would eventually provide the

He said it would be harder to

achieve the target if the banks

holding out were the ones with

funds and vote in favour.

cent majority required.

#### IN BRIEF

#### Consolidations help WestLB

Group earnings at WestLB, the largest of Germany's public sector banks, more than doubled to DM481m (\$288m) following the first-time consolidation of the Thomas Cook group and the Landesbank Rheinland-Pfalz, Page 16

Astra benefits from volume growth Strong volume growth helped Astra, the Swedish pharmaceuticals group, lift first-quarter pre-tax profits by 15 per cent to SKr2hn (\$260m), maintaining its momentum as one of the world's fastestgrowing drugs groups. Page 16

Efficiency boosts Thai airline Thai International Airways has reported a steep increase in interim net profits mainly because of improved efficiency. Page 17

SEC concerned at Investor lawsuits The growing number of US shareholder suits has prompted the Securities and Exchange Commission to consider ways of protecting compan from fraud claims unless the information they release is "without a reasonable basis or was disclosed other than in good faith". Page 18

**Hewlett-Packard beats competitors** Rewlett-Packard, the US computer and electronics manufacturer, reported strong growth for its second fiscal quarter as it outperformed its largest

Sales and profits grow US stores J. C. Penney and Dayton Hudson, two of the biggest US store groups, both reported sharp increas in sales and profits for the first quarter to April.

Higgs & Hill announces share issue Higgs & Hill has announced a share issue to pay for housing land purchases. The UK builder is seeking to raise £22.2m. Page 20

Redrow opens at discount Redrow, the latest UK housebuilder to come to the market, ended its first day dealing with the

shares trading at 128p - a 5 per cent discount More than 16m shares in Nightfreight, the express parcel group, are being placed at 105p to raise £16.1m. (\$71m).

Pillar Property Investments yesterday became the ninth property company of the year to launch a flotation. It hopes the exercise will value the company at more than £175m. Amey Holdings, the UK's sixth biggest road builder,

plans to raise £10m when it comes to the market next month. Page 20

BOC, the UK industrial gases and healthcare group, said economic recovery was boosting sales volumes. Page 21; Lex, Page 14

Green light for pulp mili A project to build the world's largest chlorine free pulp mill – in western Finland – was finally given the go-ahead last week. Page 26

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#### Microsoft unleashes 'Tiger' into interactive TV arena

OTHE FINANCIAL TIMES LIMITED 1994

By Louise Kehoe in San Francisco

Microsoft, the lesding personal computer software company, has pounced on the emerging market for computer systems used to deliver interactive television services, with software codenamed

with Compaq Computer and Intel of the US, claims to be able to provide cable television companies and telephone companies with "media server" systems at a fraction of the cost of interactive television technologies developed by competitors. Systems developed by International Business Machines, Digital Equipment, Hewlett-Packard and Oracle have already been adopted for trials of interactive TV.

ers used to store and retrieve digitised video and audio signals for services such as video-ondemand, interactive TV shopping and interactive TV channel guides. Anticipated applications include hotel and airline entertainment systems, video messaging and corporate multi-media

developed media servers based on supercomputers and mainframe computers, but Tiger software can be run on inexpensive microcomputers, claims Microsoft. Mr Nathan Myhrvold, Microsoft senior vice-president of advanced technology, said: "Once you have the right software, you can implement l'videoon-demand) in many ways." Tiger software would allow computer systems to be expanded with extra microprocessor chips.

Yesterday the companies demhome video cassette recorder.

to offer Tiger servers for small and medium-sized applications, such as corporate networks, while intel will offer larger scale multi-media servers for public

television trial in Seattle, Washington, later this year.

Global investors have punted

heavily in Japa-

nese equities in

recent months,

and the tactical

shift has been

nicely rewarded in

the short term. So

far this year the FT-Actuaries World Index is showing a gain of about 3 per cent in dollars, but

the sub-index for Japan is up 20 per cent. Foreigners bought Japa-

nese stocks worth \$33.5bn net in

the first three months of 1994, contributing substantially to the

rally in the Tokyo market and

also to the strength of the year.

Meanwhile the Japanese were net

sellers of foreign securities, to

the tune of about \$9bn (mainly reflecting a \$13bn sell-off of

Whether these speculative port-foilo movements have done any-

thing to cure Japan's economic

woes is a moot point, however.

Real GDP has been more or less

unchanged for two years now.

With consumer prices up just 0.8

per cent year-on-year, Japan tee-ters on the edge of deflation:

indeed, on the basis of wholesale

nrices falling at nearly 3 per cent

a year, it is already there. The

capital flows are serving to

aggravate the problem of an over-

valued yen, adding to the impact of the obstinately durable \$130bn

current account surplus. Moreover the purchases of equities by

foreigners are essentially being

mopped up by banks and are not

contributing to ilquidity growth

which might stimulate demand

Some of these issues are

addressed in an in-depth study

from Jardine Fleming's Toyko

conomist Richard Werner, who

in the broader economy.

bonds in March).

Microsoft, in collaboration

Media servers are the comput-

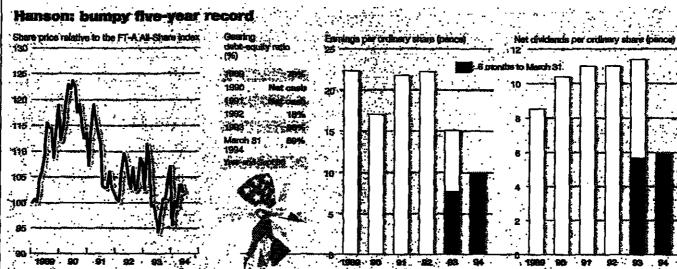
Microsoft's competitors have

onstrated a prototype system based on 16 Intel Pentium microprocessors, capable of delivering more than 3,000 video signals simultaneously. Viewers could chose from among more than 50 films and control the video signals as if they were running on a PC manufacturers are expected

Competitors have called Microsoft's approach to media server software a "paper tiger". Tiger will be tested by Tele-Communications (TCI) in an interactive

# ■ First-half profits up to £683m ■ Bonham looks for acquisitions

# Hanson raises dividend



By Maggie Urry in London

Hanson surprised the London stock market yesterday by increasing its quarterly dividend, from 2.85p to 3p, when announcing half-year pre-tax profits up from £507m to £683m (\$1hn), a figure buoyed by £333m of disposal profits. Lord Hanson, chairman of the

Anglo-American conglomerate, also gave an upbeat view of trading, saying "our return to profit growth at the operating level is

Mr Derek Bonham, chief executive, said economic recovery in the US and UK, an accelerating trend in underlying profits growth, the resolution of uncertainties such as the US coal

strike, and the improvement in the group's balance sheet meant we feel positive enough to increase the dividend

He said Hanson would not have raised the dividend unless it was sure the new level was sustainable. Fully-diluted earnings per share rose from 7.7p to 9.9p in the

He added that the dividend se put Hanson on one of the highest yields in the FT-SE 100 index. The stock market started to erode that yield by pushing the share price 5%p higher to 268%p at the close. The initial reaction had been better, though, with the shares jumping to 273p before easing back. Some analysts, who had not expected a dividend increase for

shares closed 4p lower at 559p.

Mr Tony Hales, chief executive,

applauded the move but others questioned whether it was prumt. One said: "They are already paying a high dividend. There is no reason to pay more." He added that last year's dividend had been covered by earnings only 1.3 times - "a very uncomfortable ratio compared with the rest of UK plc". Another suggested Hanson had "an inbuilt desire to please the market and get the share price up" to use

another three or six months,

shares for acquisitions, and that had prompted the increase. It was the first rise in the quarterly dividend since December 1992. In December last year, when reporting full-year figures, the 1993 final dividend was not

group's 30-year history.

Mr Bonham said underlying operating profits rose 8.4 per cent

After the Quantum deal Hanson's gearing rose to 86 per cent, but a disposal programme had cut it to 69 per cent at the end of March. With an expected further reduction in the second half, Mr Bonham said: "We're prepared to look at accursitions. Details, Page 20; Lex, Page 14

in the half-year to March 31, with the pace quickening between the first and second quarters. Quanturn Chemical, the US polyethylene and propane group bought last September for £2bn, had added to earnings in its first six months, contributing 270m of profits before £40m of interest

small exposures to the company's commercial debt of £6.8bn. Until the banks have guarau teed to provide the senior debt and purge the breaches in loan covenants, Eurotunnel cannot launch its rights issue to raise a further £850m in equity, around 20 per cent more than the stock market had originally been

> Yesterday Eurotunnel gained permission from its shareholders at an extraordinary general meeting to issue an additional 150m units – which twin a Eurotunnel plc share with a Eurotunnel SA share - in the rights

> to issue 342m units, worth £1.38bn at yesterday's closing price of 405p per unit. But Euro-tunnel emphasised that the size of the authority did not indicate the size or price of the rights

Sir Alastair Morton, Eurotunnel chairman, said after the meeting that it would probably try to raise total debt and equity of about £1.6bn if it opted for an equal mix of loan and share capital in the refinancing.

# Spirits help Allied-Lyons advance

By Paul Taylor in London

Allied-Lyons, the UK-based drinks, food and retailing group which is paying £740m (\$1.1km) for control of the Pedro Domeco, the Spanish drinks producer, yesterday reported a 20 per cent increase in full-year pre-tax profits to £606m.

The figure, struck after £26m of additional pension costs, compares with £505m the previous year when profits were reduced by £64m of restructuring charges. Currency movements added £6m. Excluding the charges, pre-tax

the year to March 5 on turnover up 4.9 per cent at £5.53bn. Earnings per share benefited from a lower tax charge and advanced 25.1 per cent to 36,7p. A final dividend of 14.9p raises the total from 21p to 22.2p, but the

**Barry Riley** 

has conducted an extensive analysis of liquidity in Japan. He has

constructed several indices of

liquidity which suggest that the

recent slight upturn in the conventional monetary indicators may be misleading the M2 plus

certificates of deposit aggregate,

shrinking in 1993, has recently

been growing at about 2 per cent,

but liquidity on most of JF's defi-nitions remains flat.

During the 1960s private liquid-

ity in Japan was growing at

around 12 per cent a year while nominal GDP was rising at only

about 5% per cent: the excess

Japan's sick

economy requires

not tender care

but major

surgery

fuelled the great asset price bub-

ble. By 1991 some 40 per cent of

outstanding bank credit was

directed to speculative areas such

as property and finance. If only

half of these are eventually paid back the bad debts would be 20

per cent of outstanding loans. Many financial institutions have

ne technically insolvent.

Shell-shocked banks cannot be

substantial sources of new credit

in these circumstances. Spending

packages by the government

have had little effect because

they have been offset by bond

issues which have drained liquid-

ity out of the economy again.

Only if the Bank of Japan prints

money can the economy grow -

but the BoJ is terrified of creat-

ing inflation and/or another asset

said the year was one of "solid performance in still tough mar-ket conditions" and added that the current year "has started satisfactorily".

Gains in spirits and retailing, which confribute 80 per cent of group trading profit, offset a weak performance by the Carlsberg-Tetley

December 1992. Overall trading profits increased by 10.3 per cent to £821m, reflecting the absence of restructuring costs. By far the biggest contributor was the Hiram Walker spirits division, which raised its profits by 5.1 per

As for the foreign portfolio

inflows, much of the supply of stock will have come from banks

seeking to book profits to

strengthen their balance sheets.

There are no significant new

issues of the kind which pumped

huge amounts of liquidity into

So will the BoJ respond? Per-

haps: Richard Werner says cau-

tiously that there have been signs of a policy shift. Recent for

eign exchange intervention has not been sterilised as was previ-

ously the rule, and his leading

liquidity index has jumped

although the broad liquidity index remains subdued. More evi-

dence of an aggressive policy is required: without it the Japanese

Foreign investors could now be tempted to take some profits. At

the very least they will need to

think about hedging their yen

exposure, because a recovery in

the economy in general and in profits in particular will require

even lower short-term interest

rates (now only just over 2 per cent) and a weaker yen to stop the erosion of wholesale prices.

the only major stock market cur-

rently nowhere near its historical

highs. That provides a tempting

but dangerous recovery prospect

Japan has a profoundly sick

economy that requires not tender

care but major surgery. Asset prices are still too high, but they

have to be sustained at levels which damage the real economy

because otherwise the banking

Foreigners may profitably job

in and out of these distortions

but they would be unwise to

make long-term commitments.

system would be undermined.

The bulls argue that Tokyo is

economy will so nowhere

the US corporate sector.

lantine's, the group's most important brand, maintained overall volumes with gains in duty-free sales, Greece and eastern Europe, offset-

margins. In Scotch whisky, Bal-

**Excluding** ting lower volumes in Spain, charges, pre-tax France and Germany, while Teacher's volprofits rose by 9 per cent umes rose by 13 per cent. Beefeater gin

the UK where sales were up 25 per cent, but US volumes were affected by destocking and its total volumes were marginally

From today the Spanish group Domecq, which sells 19m cases of

become part of the division. Retailing profits increased 7.2 per cent to £209m, with the group's pub companies which generate about 70 per cent of sector profits, increasing their contribution despite a reduction in average pub numbers by 403 to Trading profits from the brew

ing division, which now includes the Carlsberg-Tetley joint venture, the group's Dutch Brewery and a 22.5 per cent stake in Britannia Soft Drinks, increased from £91m to £96m. However, Mr tor, cautioned that like-for-like earnings from the joint brewing venture fell by 14 per cent. In the food manufacturing divi-

sion Lyons' trading profits were slightly ahead at £87m (£86m).

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# Searching for liquidity in trendless Japan

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**Deutsche Bank Group** 

# WestLB advances after **Thomas Cook inclusion**

By Michael Lindemann in Düsseldorf

Group earnings at WestLB. the largest German public-sector bank, rose 106 per cent to DM481m (\$289.7m) in 1999, following the first-time consolidation of the Thomas Cook group and the Landesbank Rhein-

Mr Friedel Neuber, chief executive, said: "1993 was an exceptional year in terms of earnings, a result which cannot be repeated very quickly." He added that the first quar-ter of 1994 had been "satisfactory", although operating prof-

By Christopher Brown-Humes

Skopbank, the Finnish

state-owned bank, yesterday announced a preliminary

agreement to sell the Finnish

Real Estate Bank (Freb), its

largest subsidiary, for about

The purchaser is Finvest, a

development company focusing

on industry and banking, and

the parent of Interbank, the

The sale reflects Skopbank's

new focus on corporate and

Lindt & Spruengli, Switzerland's oldest chocolate

maker, plans to take over the

troubled Austrian confectioner

Hofbauer, Renter reports from

Lindt signed a letter of

intent with Hofbauer on May

11 and a definitive takeover of

the Austrian company is

planned for June, according to

The unlisted family-owned

Austrian company made a loss in 1993 of Sch24m (\$2.05m), but

was reported to have blamed

this on the loss of a big client

Hofbauer is reported to have

bank debts of Sch330m. Lindt

reported a 1993 group net profit

Commercbank Aktiengesellschaft

Berliner Bank Aktiengesellschaft

Supplemental Project Facility

NORDIC INVESTMENT BANK

Kredietbank

MeesPierson N.V.

Austrian media reports.

and construction costs.

of SFr39.8m (\$28m).

Finnish commercial hank.

Lindt plans to

buy Austrian

confectioner

FM470m (\$87m).

its of DM142m were 9 per cent below last year's levels. Mr Neuber forecast the bank would present "satisfactory" 1994 results due to "a more positive economy and our good condition"

About a third of 1993 profits came from foreign business. The group plans to expand its operations in Asia and eastern Europe in the coming year. The bank plans to concen-

trate its property interests in Immobilienbank, to be headquartered in Mainz and run jointly with SüdwestLB and the Landesbank Rheinland-

Skopbank lines up Freb sale

Wholesale hanking, its role as

the central bank in the Finnish

savings bank system has been

sharply reduced after last

year's dismemberment of the

Skopbank said it no longer

needed Freb's balance sheet for

the purpose of advancing

Freb is a mortgage banking

Total assets at the end of

1993 amounted to FM9.1bn, and

shareholder equity and

Shares in Ciga, the Italian

luxury hotel chain, yesterday

rose nearly 7 per cent to L1,188

from L1,112 as it became clear

the group had successfully auc-

tioned the outstanding rights

The auction and the preced-

ing L1,000-a-share rights issue

were supposed to fail, deliver-

ing a majority of shares to

Ciga's creditor banks and then

to ITT Sheraton of the US,

which had offered L740 a share

for the company.
Instead, Ciga said yesterday
the auction and rights issue

Since the rights issue was

had raised L1,003bn (\$593m).

operation concentrating on

long-term secured lending.

By Andrew Hill

to its shares.

Savings Bank of Finland.

DM140m in two developments run by Mr Jürgen Schneider property group. However, the "risks had been adequately covered", the bank said. Although Mr Neuber said

Germany was pulling out of an

18-month recession, the bank raised bad-loans provisions in 1993 by 35 per cent to DM973m. Earnings at the bank rose 48 per cent to DM1.281m and profit from trading on its own account 34.5 per cent to DM398m. Before provisions. operating profit rose 66.1 per cent to DM1.767bn, up from

DM1.064bn the year before.

Mr Heikki Járvi-Eskola

Skopbank chief controller, said

the deal would have minimal

influence on Skopbank's

long-term earnings potential or

He said the bank, which has

been the biggest casualty of the Finnish banking crisis, was

still likely to need further state

FM17bn in assistance since

being rescued by the Bank of Finland in 1991.

launched on March 17, Ciga's

shares have consistently

traded at well above the issue

ITT Sheraton's threat to

withdraw from the bidding at

the end of last month failed to

The company is likely to try

to strike a separate deal with

the banks to write off part of

its L954bn of short-term debt.

The funds raised will be used

to repay most of the outstand-

ing overdraft and take care of

Several investors are

thought to hold small specula-

tive stakes in the company,

and will have to declare any

holdings above 2 per cent

day-to-day operations.

within 30 days.

dent investors' enthusiasm.

It has already received

support.

**Completion of rights** 

auction boosts Ciga

were Sch938m (\$80m) - np almost 50 per cent on the Sch626m achieved in 1992 - on sales of Sch12.1bn compared with Sch11.7bn in 1992. Mr Erhard Schaschl, chief

dividend in 1994. Wienerberger is the largest producer of bricks in Austria,

market for pipes. Its main shareholder is Creditanstalt-Bankverein, Ansstake. The remaining capital is dispersed among private shareholders. It is one of the

Werke, Wienerberger's troubled alloys subsidiary, made a pre-tax loss of Sch112m, down from Sch157m in 1992. Turnover declined from Sch3.3bn in 1992 to Sch2.96bn last year.

#### MoDo names new group chief

MoDo, one of Sweden's leading pulp and paper groups, yesterday announced the appoint ment of Mr Bengt Pettersson as group chief executive from August 1, writes Christopher Brown-Humes.

He will succeed Mr Bernt

ing director of Stora Billerud, a packaging unit within Stora, Europe's biggest pulp and paper group.

#### Austrian brick group posts strong advance

By Patrick Blum in Vienna

Wienerberger Baustoffindustrie, Austria's largest building materials group and one of the two largest brick manufacturers in Europe, yesterday reported a strong rise in profits for last year. It raised its dividend to 37 per cent compared with 34 per cent in 1992.

Group profits before tax

executive, said pre-tax profits would continue to rise this year, to around Schl.1bn. He suggested the group would probably further increase its

Germany and Hungary, and it has an important share of the

tria's second-largest bank, which has a 51.6 per cent most liquid shares on the Vienna stock exchange.

Treibacher Chemische

Löf, who is stepping down after nine years in the posi-

Mr Rehulka said. Mr Pettersson, 55, is manag

# Astra lifted by 28% sales growth

By Christopher Brown-Humes in Stockholm

Strong volume growth helped Astra, the Swedish pharmaceuticals group, lift first-quarter pre-tax profits by 15 per cent to SKr2bn (\$260m), maintaining its momentum as one of the world's fastest-growing drugs groups.

per cent increase in sales, to SKr6.4bn, with the group's two main drugs - Losec and Pulmicort – performing strongly. Operating earnings were 52 per cent higher at SKr2.05bn. Astra noted that, adjusted

The result was struck on a 28

for currency factors, sales grew by 24 per cent, a bigger rise in

volumes than last year and ees, sales much better than the market SKr3.95bn. average.

However, it said the pace of sales growth had weakened because currency movements were not as beneficial as last year's. It said the same factor would slow the pace of sales and earnings growth over the full year, although both are expected to continue to develop favourably. Last year, group pre-tax profit amounted to SKr7.8bn.

Losec, the anti-peptic ulcer agent and one of the world's top-selling drugs, saw sales expand by 49 per cent to SKr2.24bn in the first quarter. Including sales through licensees, sales grew 50 per cent to

Sales of Pulmicort, an antiasthma agent, were 32 per cent higher at SKr850m. Plendil, an anti-hypertensive agent, increased sales by 41 per cent to SKr273m.

Astra was particularly encouraged by its performance in Germany, its largest market. where sales rose 32 per cent in local currency terms, compared with estimated market growth of 7 per cent. The performance was driven by improved sales of Losec, even though a German health regulator has been looking into possible side-effects of

Astra noted the German market was "now recovering from the effects of political intervention in early 1993".

Sales in the UK, the group's second-largest market, climbed

53 per cent. Astra said its pre-tax performance was held back by an (unrealised) drop in the value of its bond portfolio - blamed on increased interest rates at the end of the quarter - and exchange losses. These resulted in net financial expenses of SKr52m, compared with income of SKr344m in the same 1993 period.

Analysts are looking for full. year profits of between SKr9.5bn and SKr10bn.

Bertelsmann

to split into

## Shake-up at Banesto unit

Banesto, the Spanish bank acquired by Banco Santander last month in the largest domestic takeover, has announced a Ptal2.6bn (\$91m) capital increase for Agroman, the loss-making construction group in which it has a 57 per

cent holding.

The decision to rescue the group is Santander's first look at tackling Banesto's industrial

The fresh funds, which will double Agroman's shareholder capital to Pta25hn, will seek to eliminate the company's heavy

#### Austrian carrier | Portugal to privatise expects to break even this year

Austrian Airlines should break even this year, according to Mr Mario Rehulka, the joint chief executive, Reuter reports from

Plans presented at yesterday's annual meeting see turnover rising to Sch11.1bn (\$917m) from Shl10.5bn, while pre-tax losses should be cut to Sch351m from Sch728m. Net losses are forecast at Sch140m, but it should be possible to cancel these with cost cutting,

● Bayer, one of Germany's big three chemical groups, will acquire two units of Veba's rubber subsidiary. Huels, Reuter reports from Leverkusen.

financial costs and, according to Banesto, "put [Agroman's] financial structure on a level with the best companies in the

A recent audit by Price Waterhouse put Agroman losses at more than Pta10bn. Banesto said it was prepared to subscribe the entire capital increase on a one-for-one basis. Analysts said the capital

injection amounted to a mere accounting entry on the part of Banesto, and would have a neutral impact on the bank's balance sheet. They said Banesto would be simply capitalising loans to Agroman which

By Peter Wise in Lisbon

Portugal is to privatise a

majority of the capital of Cim-por, the country's largest

cement producer, by mid-1995,

in three tranches beginning

next month. The company has

been independently valued at more than Es200bn (\$1.2bn).

Mr Antonio de Sousa, secre-

tary of state for finance, said a

20 per cent stake would be sold

on the Lisbon stock exchange

in June. A second tranche of

between 20 per cent and 25 per

cent would be sold to foreign

investors in an offering on for-

eign exchanges later this year. The final tranche of between

CHASE

O CHASE

£100,000,000

Floating Rate Notes due February 1996

given that for the Interest Period from May 16, 1994 to August 16, 1994 the Notes will carry an Interest Rate of 5.32708% per annum.

The interest payable on the relevant interest payment date, August 16, 1994 will be £134.27 per £10,000 Note and £1,342.72

**X** FannieMae

Federal National Mortgage Association ¥7,000,000,000

Floating Rate Japanese Yen Debentures Due May 17, 1996

Notice is hereby given, that the rate of interest from May 17, 1994

through and including November 16, 1994 is 3.54% per annum. Interest payable on November 17, 1994 will amount to ¥17,845 per ¥1,000,000 principal amount.

US\$100,000,000 FLOATING RATE DEPOSITARY RECEIPTS DUE 1997 issued by The Law Debenture Trust Corporation pic evidencing entitlement to payment of principal and interest on deposits with

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London Branch

Notice is hereby given that the Rale of interest for Coupon No. 36 has been fixed at 5% pa and that the interest payable on the relevant Interest Payment Date, August 18, 1994 in respect of US\$10,000 nominal of the Receipts will be US\$127.78 and in respect of US\$250,000 nominal of the Receipts will be US\$3,194.44.

May 18, 1994, London By: Citibenit, N.A., (Issuer Services), Agent Bank CTTBANCO

By: The Chase Manhattan Bank, N.A. London, Agent Bank

By: The Chase Manhattan Bank, N.A. London, Fiscal Agent

May 18, 1994

May 18, 1994

**Britannia** Building Society

majority Cimpor stake

had already been provisioned The move fuelled speculation that Banesto, under its Santander parent, was preparing for the disposal of the construction company, "The new capital makes Agroman saleable," said Mr Jaime Mariategui of the Madrid financial consultancy firm Research Associates.

Santander eschewed industrial investments several years ago, and its \$2bn takeover of Ranesto was aimed at gaining the bank's widespread branch network. It is understood Santander will over time, sell off the companies within Banesto.

20 per cent and 30 per cent would be sold in the first half

of 1995, giving private share-

holders control of the com-

Portugal's recently-revived pol-

icy of advancing popular capi-

talism by offering up to 35 per cent of the shares on sale at a

A total of 14m shares will be

sold at a fixed price of Es2,900

each. However, 25 per cent will

initially be reserved for

employees at Es2,600, and for

small investors at Es2,700. This

tranche will be increased to 35

per cent if there is sufficient demand.

discount to small savers.

The June sale will embody

pany, he said.

four units By Michael Lindemann Bertelsmann, the leading German media group, yesterday announced a restructuring plan following the collapse of Vox, its private television

> An important element is the splitting of the group into four divisions: books, industry, entertainment and press.

Mr Manfred Labnstein, head of Bertelsmann's electronic media division which included Vox, has been appointed to head the supervisory board. He takes over from Mr Karl Otto Pohl, the former Bundesbank president, who is stepping

Vox, the Cologne-based TV channel, collapsed last March, 14 months after its launch. Its fall caused estimated losses for Bertelsmann of DM160m (\$94.lm).

Bertelsmann was previously divided into seven divisions, some determined by outdated geographical considerations, the company said. The new structure would make the company slimmer, faster and more effective, it said. "The point is to enable business areas which work together to be better in tune with each other."

The group recently reported that earnings for the six months ending December were well above budget and likely to exceed the 1993 results.

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**Export Credit Facility** Finnish Export Credit Ltd

Bremer Landesbank Kreditanstalt Oldenburg. Girozentrale Landesbank Sachsen Girozentrale

Refinancing Facility by EUROPEAN INVESTMENT BANK

Agent

Commerzbank Aktiengesellschaft,

The Governor and Comp BANK OF SCOTLAND U.S.\$250,000,000

**Undated Floating Rate Primary Capital Notes** Notice is hereby given that the Rate of Interest has been fixed at 5.375% p.a. and that the interest payable on the relevant Interest Payment Date November 18, 1994 against Coupon No. 18 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$274.72 and in respect of U.S.\$250,000 nominal of the Notes will be U.S.\$6,868.06. May 18, 1994, Landon Br: Citibank, N.A. (Issuer Services), Agent Bank **CITIBANC** 

MFC Finance No. 1 PLC Mortgage Backed Floating Rate Notes Due October 2023 n accordance with the Terms and Conditions of the Notes, Tayracad (Cults Served A. 400 May 1994-Tail June 1994 Series B. 1912 May 1994-Tail June 1994 Series C. 400 May 1994-Yell June 1994 CITIBANCO

£200,000,000

Creditors to Submit Offers Covering Eligible Debt of or Guaranteed by Bank of Zambia and the Republic of Zambia dated 11th May, 1994 (the "Invitation to Creditors"). In this connection, Bank of Zambia invites persons claiming to

be holders of foreign exchange trade bill, dividend remittance, technical fee or royalty remittance arrears, incurred prior to 4th October 1985 ("Pipeline Debt"), in excess of US\$5,000 as to the aggregare claim, but excluding personal remittances, to contact the following if they have not yet received a copy of the Invitation to Creditors:

Bank of Zambia External Debt Division P.O. Box 30080, Lusaka, Zambia Tel. No: 260 1 22 33 26

S.G. Warburg & Co. Ltd., Overseas Advisory Group, 2 Finsbury Avenue London EC2M 2PA Tel. No: 44 71 395 2376

Fax No: 260 1 22 33 26 Fax No: 44 71 860 0901 The Offering Date - the deadline on which offering televes must be received by the Closing Agent (S.G. Warburg) is 24th June, 1994.



U.S.\$50,000,000
Floating Rate Subordinated Notes Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 5.125% and that the Interest payable on the relevant Interest Payment Date August 18, 1994 against Coupon No. 38 in respect of US\$10,000 notilinal of the Notes will be US\$130.97.

May 18,1994, London

Br. Cribank, N.A. (Issuer Services), Agent Bank

CITIBANCO

J.P. Morgan & Co. Incorporated

US\$200,000,000 Subordinated floating rate notes due August 2002 in accordance with the

rovisions of the notes, notice is hereby given that for the interest period 18 May 1994 to 18 August 1994 the no carry an interest rate of 5% per m. Interest payable on the relevant interest payment date 18 August 1994 will amount to US\$63,89 per US\$5,000 note.

Agent: Morgan Guaranty Trust Company

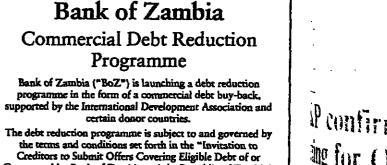
**JPMorgan** 

US\$200,000,000 Floating rate subordinated capital notes due 1998

payable on 18 August 1994 will amount to US\$124.58 per US\$10,000 note.

Trust Company

**JPMorgan** 



Ponfiri Mg for ()

Wells Fargo & Company

The notes will bear interest of 4.875% per annum for the interest period 18 May 1994 to 18 August 1994. Interes

Agent Morgan Guaranty

#### INTERNATIONAL COMPANIES AND FINANCE

# outer grow Thai airline posts Fujita hit sharp increase after six months

Previously it sought primar-

ily high-spending business and

first-class passengers.
The break-even load factor is

nearer 66 per cent compared

with 62 per cent a year ago. That Thai still finds uncon-

ventional revenue useful is

shown in a comment from the

company that second-quarter revenues of Bt2.42bn would

have been higher but for a

delay in the delivery of a Air-

That International predicts a

net after-tax profit for the year

This compares with a fore-cast of Bi3hn from Smith New Court which does "not includ-

ing any fancy footwork in the

fell 67 per cent, a result that

the airline openly acknowl-

edged as below budget. Thai's regional flights in

Asia tend to be profitable, but its intercontinental and

domestic services perform

The airline has been working

on a plan to reform its account-

ing system to produce an

accounting format more famil-iar to foreign investors.

In 1992-93, net profits at Thai

of Bt4.5bn.

poorly.

Monday.

The rating outlook is stable,

It had lowered Ontario's ratings from double-A last year reflecting the province's rising

the agency said, reflecting Ontario's diversified economy.

debt and heavy servicing costs

week forecast a C\$4.4bm deficit for 1994-95. Standard & Poor's

said that it was studying its previous rating of A-plus with

stable outlook.

Quebec's budget late last

**BHP** served another

environment writ

Thai International Airways vesterday reported a steep increase in net profits for the six months ended March, due largely to improved efficiency. Six-month profits were Bt2.28bn (\$99.8m), up 300 per cent, following a 166 per cent rise in second-quarter net prof-

its to Btl.19bn. The airline has been a private sector company since March 1992 when just over 7 per cent of the company was floated on the Bangkok stock

Since the flotation it has been criticised by airline analysts for propping up weak operating results with extraordinary income, notably from

However, Mr Thamnoon Wanglee, president, appears to be creating a leaner organi-

Revenues from transportation, the core income, rose 10.8 per cent over the year while operating expenses went up by

only 2 per cent.
"This is encouraging, although it is still too early to say if they have turned the corner or not," said an analyst at brokers HG Asia.

Although the current load factor (passengers and cargo carried) is 70.8 per cent, compared with 65.8 per cent last year, this does not translate directly into higher profits because the airline currently

Broken Hill Propriety, the

Australian resources group,

has received another writ

alleging environmental damage from its Ok Tedi gold-

copper mine in Papua New

The writ was lodged in the

Victorian Supreme Court by Mr Barry Shackles. He claims

that damage from the Ok Tedi

project has reduced profits of a Daru-based fishing

The writ follows the launch

earlier this month of Austra-

lia's most expensive court

By Robert Gibbens

credit rating agency.

from C\$9.4bm in 1993-94.

Ontario, Canada's biggest province, has had its double-A

minus debt rating confirmed

by Standard & Poor's, the US

Ontario's recent budget forecast a C\$8.5bn (US\$6.2bn) defi-cit for 1994-95, higher than

originally forecast but down

in Montreal

action, an estimated A\$4bn seeking unspecifie (US\$2.8bn) claim on from the company.

rating for Ontario

S&P confirms credit

business.

By Bruce Jacques

#### by Tokyo property downturn

By Paul Abrahams

Fujita Corporation, a second-tier Japanese construction company, yesterday reported pre-tax profits down 44 per cent to Y18.77bn (\$179m) for the year ended

The company said the down-turn reflected the poor state of the domestic property market. Fujita is particularly exposed to the badly-hit Tokyo property market.

bus A300-600 which also delayed a "concession Fujita warned it would be forced to cut its dividend in the current year from Y10 per Mr Sriyan Pietersz, head of research at Smith New Court in Bangkok, said: "When Thai share to Y7.5. "We faced tough times buys an aeroplane at a theoret. because of the fall in orders ical discount it books the disfor plant and office hulldings count as a cosmetic profit."

from the private sector. although public works orders and investment in new homes were firm," said the company. Group turnover fell 14.4 per cent to Y727bn, while post-tax profits tumbled 39 per cent to Y8.6bn. Earnings per share declined to Y17.46 from

The group said it expected construction orders to remain slow during the current year because private companies were unlikely to increase capital investmen

It forecast that pre-tax prof-its for the year ending next March would fall further to

Earnings per share would fall to Y13.15, but sales would increase to Y750bn.

#### Samsung to offer 3.3m new shares

behalf of landowners near Samsung Electronics, South the Ok Tedi river alleging Korea's largest electronics manufacturer, is to offer 3.3m environmental damage from the BHP-controlled operation. new shares via a rights issue Both writs are being handled in mid-August, Reuter reports by Slater and Gordon of Melfrom Seoul. The issue will increase paid-in capital by 17bn won to 332bn won (\$411m). The closing date is • CRA, the Australian mining group, has rejected allegations that it misled shareholders in July 11 and the subscription its 1990 takeover battle for will end on August 25.

"The price of the issue has Kalimantan Gold, operator of yet to be decided but it will be the Kelian gold mine in Indonfixed at around 60,000 won," CRA was responding to legal action launched in the Supreme Court of Victoria on the company said. At this price, the issue would raise around 198bn won. Shares have changed hands recently at around 91.300 won. Five former corporate share-

holders in Kalimantan are Both common and preferred seeking unspecified damages stocks will have the same rights as the new issue.

#### Minproc plans capital shake-up and cash call

By Bruce Jacques

Minproc Holdings, the troubled Australian pigment and coal group, is planning a A\$352m (US\$251m) cash call and is changing its name to

The par value of its shares is to be cut to 10 cents from 20 cents then consolidated into A\$1 units, and 220m shares issued at A\$1.60 each.

#### DIVIDEND PAYMENT

Air the General Meeting of BSN on May 10, 1994, shareholders voted to give each shareholder the option of payment of the 1993 dividend of FF 15.50 (excluding the tax credit) in cash or share form.

The issue price of shares distributed in lieu of a cosh dividend payment was set at 90 % of the average opening price for the twenty trading days prior to the Meeting, exclividend, or a total of FF 754. New shares will become available on July 25, 1994.

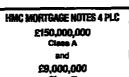
On May 10, the day of the General Meeting, BSN shares were opening at FF 852.

Regardless of their preference, shareholders retain the benefit of tax credit (avoir fiscal) attached to the dividend.

Shoreholders may exercise their choice between May 16th and June 6th, 1994 inclusive.

For shareholders who have not expressly requested payment in the form of shares, the dividend will be paid in cash from June 13, 1994.





Cines 8 Igage Backad Floating R Notes due August 2021 Notice is hereby given that for the interest Period from May 16, 1994 to August 15, 1994 the Class A Notice and Class B Notice will carry interest rates of 5,3675% and 6,0675% respectively. The interest

6.0875% respectively. The interest payment date, August 15, 1994 for the Class A Notes will be \$1,338.20 and

May 18, 1994

The Republic of Venezuela U.S. \$211,139,000 Colleteralized Floating Rate Bonds due 2020 USD Discount Series B In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from May 18, 1994 to November 18, 1994 the Bonds will carry an Interest Rate of 6% per annum. The interest payeble on the relevant interest payment date, November 18, 1994 will be U.S. \$30.67 per U.S. \$1,000 orincipal amount.

May 18, 1994

Notice BANK OF QUEENSLAND LIMITED US\$128,000,000 MULTIPLE OPTION FACILITY MULTIPLE OPTION FACILITY
AGREEMENT
DATED SETTEMBER 22, 1992
In accordance with the provision of the
frangiarable Loan Certificate launed on
frangiarable Loan Certificate launed on
foreman 15, 1992, notice is harrby given that
for the six mouth intrest period from May 17,
1994 in November 17, 1994, the Certificate will
many up interest Eure of 5.775% per summa.
Bereinys Bank PLC, Hong Kong
As Agent

# Flotation may help ITD build on past successes

Thai contractor plans listing, writes Victor Mallet

T talian-Thai group, one of the higgest and most successful conglomerates in south-east Asia, plans to float Italian-Thai Development (PTD), its construction and civil engineering arm, on the Stock Exchange of Thailand. ITD, which accounts for about

half of total group business, is expected to be valued at about \$1.6bn when 10 per cent of its shares are listed in the next couple of months. This would give a market

capitalisation bigger than the other three Bangkok-listed construction companies combined including Christiani and Nielsen, the Thai group that took over its Danish parent in FTD is the dominant contrac-

tor in Thailand for big infra-structure projects such as ports, dams, power stations, roads and pipelines. The gov-ernment has begun tendering out transport and other projects to private companies. ITD wants the new capital to help finance its share of concessions and pay for new equipment.

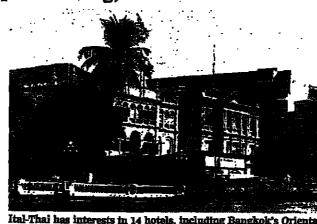
In addition to the construction arm, the privately-held Ital-Thai group owns a trading

and industrial business, importing aircraft and locomotives as well as pumps and valves, and holds a quarter of a brewery in neighbouring Laos. It also has interests in 14 hotels - including Bangkok's most famous, the Oriental and in the luxury Eastern and Oriental Express train. Both the Oriental and the Royal Orchid hotels are listed on the

in the next few years. ITD is well-placed to take advantage of the inadequacy of Thailand's existing infrastruc-

SET, and there are plans to

float the Amari group of hotels



Ital-Thai has interests in 14 hotels, including Bangkok's Oriental

ture. The Thai economy is growing at 8 per cent annually, but traffic congestion, water pollution and a shortage of telephones testify to the need for transport improvement and new communications net-

All are areas of opportunity for ITD. The company owns a 14 per cent stake in Thai Telephone and Telecommunication. which is installing 1m new telephone lines in the provinces. ITD is also hoping to take a share of forthcoming work to double Thailand's single-track railways.

It is engaged in a Bt2bn (\$80m) project extending termi-nal buildings at Bangkok's Don Muang international airport, and wants to win contracts for the new airport planned for Nong Ngu Hao.

ITD has been selected as priority bidder, together with the Anglo-French engineering group GEC-Alsthom, for a proposed elevated commuter railway in central Bangkok - a contract that could provide as much as Bt15bn in revenue for ITD if it goes ahead.

Last year ITD made a net profit of Bt1bn on turnover of Bt11.61bn. Even if the elevated railway project is excluded from the forecasts, Jardine Fleming Thanskom, co-lead manager for the forthcoming share issue, predicts sales growth of 27 per cent, 35 per cent and 25 per cent over the next three years.

By 1996, ITD's turnover is forecast to reach the equivalent of \$1bn, with profits of

The Italian-Thai group began as a temporary alliance for ship-salvaging between Mr Giorgio Berlingieri, a marine engineer, and Mr Chaijudh Karnasuta, a Thai-Chinese doctor turned entrepreneur. The two men established

their own company in 1958 and bought the local assets of Archimede. Ital-Thai went from strength to strength, although Mr Berlingieri died in 1981. One of the few continuing links with Italy is a joint venture with the Italian company Trevi The Karnasuta family now

control the group and ITD.

FLEMING FLAGSHIP FUND Societé d'Inventionment à Capital Varia 45, ree des Seilles, L-2529 Howald Crassi Ductry of Lastembourg R.C. Lastembourg B 8478

NOTICE TO SHAREHOLDERS

FFF-FLEMING LATIN AMERICAN FUND The restriction that for the class FPF-Florating Latin American Fund redemptions can only be transacted on a Wednesday has been removed. can only be managed on a wearestary has rean tensored.

As all other classes, the class will be open with affect from 03 May 1994 to
redemptions on any dealing day which is a business day in both Luxembourg and
the United Kingdom.

There is no requirement anymore to provide one week's notice of redemption.

PFF-FLEXING LATIN AMERICAN FUND Die Einschränkung, Anteile des FPF-Fleming Latin Ameri Mittwoch zurückzunehmen, ist aufgehoben worden.

Vom 03. Mai 1994 im werden Alicknahmen, wie für alle anderen Einzelfonds, an jedem Tag, der ein Werktag in Luxemberg und in Großbritansien ist, engegengenemmen. Rücknahmen unterliegen somit nicht mahr der einwächigen

FFF-PLEMING LATIN AMERICAN FUND

La restriction qui imposait que les rachats d'actions du compartiment FFF-Fleming. Latin American Fund pe soient effectués que le mercredi a été supprimée. Comme pour les antres compartiments, à partir du 03 mai 1994, les rachets d'actions de ce compartiment pourront s'effectuer tons les jours d'evaluation qui sont des jour ouvrables tant au Luxembourg qu'au Royaume-Unit. L'obligation de donner les instructions de tachet d'actions une se date d'evaluation concernée a été supprimée.







#### You're looking at several market views — in search of a single investment.

As a global investor managing a multi-asset pontfolio, you have a view on many different markets. Right now, for instance, you're bullish on bonds and bearish on the bank sector.

But in today's hectic markets, you don't have time to deal with multiple transactions, currency conversions, legal and tax complications.

You want a single instrument that lets you take a position on each of these views. And offers you the opportunity for greater return.

That's why you've turned to a team of professionals who can combine your complex investment strategies into one derivative security. They understand the underlying values of all the components and can structure your derivative for optimal performance. They distribute and trade derivatives globally. And they create and maintain secondary markets.

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MORGAN STANLEY

12

SGS Société Générale de Surveillance Holding S.A. .8, rue des Aipes - 1211 Genève 1

NOTICE IS HEREBY GIVEN THAT THE

#### ANNUAL GENERAL MEETING

of the above Compay will be held on Wednesday 8th June 1994, at 3 p.m., at the Noga-Hilton Hotel, Salle Ballroom (mezzanine), 19, quai du Mont-Blanc, Geneva. The doors will open at 2 p.m.

Access will be permitted

to bearer shareholders, upon presentation of an admission card, at the entrance

to registered shareholders, upon placing, before 2.45 p.m. at the entrance, an admission card which will be exchanged for a voting card. The doors will close at 3 p.m. precisely.

- Presentation of the Annual Report, the Consolidated Accounts and the Statement of Accounts for the year ended 31st December 1993.
- Appropriation of profits. -Decharge» of members of the Board of Directors.

Election to the Board of Directors.

#### ANNUAL REPORT - AUDITORS' REPORTS

The Annual Report, the Consolidated Accounts and the Statement of Accounts for the year ended 31st December 1993 and the Auditors' Report will be available for inspection at the head office of the Company, from 18th May 1994. Each shareholder may request that a copy of these documents be sent to him; registered shareholders appearing on the register of shares as at 13th May 1994 will receive a copy of these documents with the

#### REGISTERED SHAREHOLDERS

Registered shareholders appearing on the register of shares as at 13th May 1994 will receive, directly, a Notice of Meeting. During the period 18th May 1994 to 8th June 1994 no registration in respect of registered shares will be entered on the register of shares. Shareholders in respect of whom a registration would have been made during the period 13th May 1994 to 18th May 1994 will receive the Notice of Meeting at a later date. Registered shareholders who will have sold their registered shares prior to the Meeting will not have voting rights in respect of those shares.

#### **BEARER SHAREHOLDERS**

The holders of bearer shares wishing to participate or be represented at the Meeting may obtain an admisson card either by depositing their share certificates at the head office of the Company, or by sending to the Company a statement of deposit and holding duly executed by their bank of deposit. The deposit of share certificates and collection of an admission card may be made on any business day, until 3rd June 1994 at the latest, at the head office of the Company between 9.30 a.m. and 11.30 a.m. or otherwise by arrangement (Telephone +41-22-739.95.51, Share Registry). No admission cards will be available at the entrance of the Meeting. The shares deposited may be collected from the day following the Meeting.

#### REPRESENTATION

Shareholders not wishing to take part in the Meeting may be represented by another shareholder (in accordance with the provisions of the Statutes, registered shareholders may only be represented by another registered shareholder in possession of a written proxy) or by their bank of deposit. They may also be represented by a representative of the Company or, alternatively, designate Ms Dominique Brown-Berset, attorney-at-law, Froriep Renggli & Partners, 4, rue Charles-Bonnet, CH-1206 Geneva, an independent person pursuant to Article 689c CO, to represent them at the Meeting; in such instance, we would ask that registered shareholders address their admission card and proxy form or, in the case of bearer shareholders, their admission card, directly to Ms Dominique Brown-Berset at the aforementioned address.

Deposit representatives within the meaning of Article 689d CO, are requested to Inform the Company as soon as possible, and in any event not later than 8th June 1994 at the entry roster of the Meeting, of the number, nature and nominal value of the shares they represent. Institutions subject to the Federal law on banks and savings institutions of 8th November 1934 as well as professional portfolio managers are considered as deposit

From the 20th June 1994, the resolutions of the Meeting will be available for inspection by shareholders at the head office of the Company.

The Notice of Annual General Meeting, together with all proposals of the Board of Directors is published in the Swiss Federal Trade Gazette, the official publication body for the Company, on the 18th May 1994.

Geneva, 18th May 1994

On behalf of the Board of Directors Elisabeth SALINA-AMORINI Chainnan



#### POSTPONEMENT OF MEETINGS

Notice is hereby given to Shareholders of SIP, IRITEL, ITALCABLE, SIRM and TELESPAZIO that the Ordinary Shareholders' Meetings, announced for the first call on 12 May 1994, will be held for a second call on

#### - THURSDAY 19 MAY 1994 -

at the same time and place as indicated in the Notices of Shareholders' Meeting already published in accordance with present law.

C ROPPORT



#### Notice of Interest Rates To the Holders of

The United Mexican States

Collateralized Floating Rate Bonds Due 2019 NOTICE IN HEREBY GIVEN that the interest rates

USD Discours Series C 6.0845 P.Cl. P.A. USD 30,99 Per USD \$1,000 CAN Discours Series 7.8875 P.Sl. P.A. CAN 38,29 Per GAN 1,000

CITIBANK, N.A., Agent May 17, 1994

CITY SHE CLASS BOOK MAN The Market Leaders in spread betting - Financial and Sports. For a brackure and an account soplication form call 071 283 366?

# LEGAL

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Adultisative Receiver (affice holder on 2009 of SINCIA & COMPANY 6 & ? QUSEN STREET, LONCOON BCAN 15P

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M EARSTON and N H COOPER

#### Growing concern over investor lawsuits By Patrick Harverson in New York

US companies are increasingly reluctant to release forward-looking information to analysts and investors about their earnings and performance because they fear shareholders might sue them if the projections prove wrong, according to a survey by the American Stock Exchange.

The growing number of shareholder suits is becoming such a problem in the US that the Securities and Exchange Commission is considering ways to bolster the "safe harbour" provision of

The provision protects companies gation being counter-productive. Investrom fraud claims unless the information tors are suffering hecause less, not more, financial information is available able basis or was disclosed other than in good faith".

In recent years, however, the safe harbour provision has not been working effectively, with a growing number of shareholders filing lawsuits alleging they have been deliberately misled by mformation from companies. Mr Dick Syron, chairman of the

ASE, said that many of these share-holder lawsuits had little, if any,

"This is another case of excessive liti-

to determine the value of a company's stock "

INTERNATIONAL COMPANIES AND FINANCE

The ASE said that more than 75 per cent of the 218 companies which responded to its survey had been forced to curtail the amount of information they provided to investors because of the mounting number of "frivolous" lawsuits, and 17 per cent said they had been sued in the past five years on issues relating to disclosures.

A majority of the respondents who were sued said they chose to settle

out of court rather than fight the

The problem of shareholder lawsuits does not relate to official announcements such as quarterly earnings, dividend payments or securities transactions, but to informal disclosures such as meetings with analysts and institutional investors. press releases, press conferences and executives' speeches.

The SEC is keen to encourage a constant flow of this type of information so that investors can make sound judgments about their

Caterpillar

revises its

derivatives

accounting

The financial services subsidiary of Caterpillar reported a \$5.4m loss from

derivative instruments, amid

signs that auditors in the US

are taking a more stringent

The company said the loss

stems from a revision of first-

quarter figures after receiving

an opinion from Price Water-

By Richard Waters

line in this area.

in New York

# Strong growth at Hewlett-Packard

Hewlett-Packard, the US computer and electronics manufacturer, reported strong growth for its second fiscal quarter as it continued to outperform its largest competitors in the computer market

Net earnings for the quarter, ended April 30, were \$408m, or \$1.56 a share compared with \$347m, or \$1.38, in the same period last year. An adjustment for employee stock options reduced earnings per share by 4 cents in the latest ouarter. Revenues rose 23 per cent to

\$6.3bn from \$5.1bn in the second quarter of fiscal 1993. Net revenue in the US was \$2.8bn, an increase of 26 per cent, while revenue from outside the US was \$3.5bn, up 20 per cent. "Overall we had a very good quarter," said Mr Lewis Platt,

stake in El Al

Investments Correspondent

The Israeli government is

expected to announce plans for

a stock market flotation of

roughly 51 per cent of El Al, the state-owned airline, follow-

ing a cabinet meeting next

Israel's finance ministry has

appointed two consortia of

advisers to conduct a valuation

of the airline. One of them

includes Barclays de Zoete

Wedd, the UK investment

Israel's privatisation office

said no participant in the valu-

ation consortia would be

allowed to act as underwriter when shares were finally

offered to the public, appar-

ently ruling BZW out of a

The US has been the primary

foreign market for shares in

Israeli companies although it is expected the El Al flotation

will be a global offering with a

tranche to be sold directly in Europe.
Israel's privatisation rules

require the government to seek

a second opinion on the value

of a publicly-owned company

and both valuations would

play a part in setting the price for shares.

rate advisory firm.

By Robert Gibbens in Montreal

on their boards.

The Toronto stock exchange

has urged publicly-traded com-

panies to have a majority of

independent outside directors

The report of the TSE Com-

mittee on Corporate Gover-

nance suggested such companies should report annually on

the make-up of their boards.

detailing any directors' connec-

tions with controlling share-

It called for penalties for

holders and management

wider role.

By Norma Cohen,

in today's challenging environment, and our earnings improved nicely over last year's strong second quarter."
Orders booked during the quarter rose 19 per cent to \$6.4bn, compared with \$5.4bn in the second quarter of 1993. US orders were \$2.9hn, up 25

per cent, while those from out-

side the US rose 13 per cent to

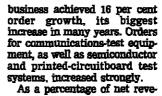
\$3.5bn. Order growth was "excellent" in Asia Pacific, but

order growth were outstanding

declined in Europe. in the computer business revenues increased by 21 per cent in the quarter to \$4.9bn from \$3.9bn. Orders for PCs increased dramatically, the company said, while orders for HP's popular Deskjet PC printers also grew strongly. Growth in orders for laser printers was "modest and in line with company expectations". Multi-user computer orders continued to grow strongly, but workstation

growth in orders and revenue

Lewis Platt: 'outstanding'



If it gets the green light,

Rochester will open up its local

market to far greater competi-

tion than that faced by other

US telecommunications compa-

nies - provided new rivals

The agreement involves

want to enter the market.

increased to 62.2 per cent from 58.8 per cent in the year-ago quarter reflecting competitive pricing pressures and a continuing shift toward products with higher sales costs.

Operating expenses for the quarter increased 12 per cent

over the year-ago period, with R&D spending up 16 per cent. However, as a percentage of revenue, operating expenses were 27.6 per cent, down from 30.3 per cent a year ago.

For the six months ended April 30, net earnings increased 28 per cent to \$776m, against \$608m in the first half of 1993. Net earnings per share totalled \$2.98, an increase of 24 per cent over the \$2.41 in last year's first half. Net revenue

tition, a mixed economic environment worldwide and rapid change in the marketplace in all our businesses," Mr Platt

competitive, such as high-

capacity private lines. Any other company would be able

to compete for these services,

or for customers of other ser-

A holding company, set up

above these two subsidiaries,

would have far greater freedom from local regulatory over-sight. It could issue securities,

make any acquisition or enter

To win regulatory support

for the plan, the company has

agreed to a seven-year plan of price stabilisation, which includes \$21m of rate reduc-

tions. The commission has in

turn agreed that while R-Net

will remain subject to regula-

vices offered by R-Net.

any line of business.

consider it in the third quarter those considered to be highly

house, its auditors. The accounting firm declined to comment The accounting change led Caterpillar Financial Services rose 23 per cent to \$11.9bn.
"We still face intense competo slash its reported profits for

the quarter to \$6.4m from \$11.8m. No adjustment was made to the Caterpillar group figures, since the amount was not material in the context of its previously reported profits of \$192m, the company said. The adjustment stems from a forced switch from hedge accounting to mark-to-market

accounting. Under the first method, which the company had applied, any profits or losses on financial instruments are set off against the underlying asset the instruments are intended to hedge. Under the second, the instru-

THE CONTRACT OF THE PARTY OF TH

\$2.000 PMS 1 1 1

THE ASSESSMENT

ment is shown at its market value, with any change being booked as an immediate profit or loss, regardless of any offsetting change in value in the underlying asset. Mark-to-market accounting leads to greater volatility in reported earnings. Caterpillar said the change related to interest rate caps

(instruments which limit a holders' exposure to interest rate rises) and swaptions (options to enter into swap contracts in the future).

#### Air Products in Farm further charge

By Patrick Harverson

Air Products and Chemicals. the US industrial gases group which last week took a \$60m after-tax charge in its second quarter to cover losses on five derivatives contracts, is to absorb an additional \$9m charge in the next quarter to cover the cost of closing out

The Pennsylvania-based erom said it terminated the interest rate swap contracts to reduce the company's earnings exposure to fluctuations in interest rates. Air Products is the fourth US company to take a charge against its earnings this year because of problems with derivatives sold by Bankers Trust, the New York bank.

#### chairman, president and chief executive. "Our revenue and orders declined in value. The test and measurement As a percentage of net reve-Agreement on Rochester Tel split Israel likely to float 51%

By Martin Dickson in New York

Rochester Tel, an innovative New York state telecommunications group, said yesterday it had cleared an important hurdle in its unique and closely watched plan to split itself in

two and voluntarily abandon its local monopoly around the city of Rochester. The scheme, unveiled in February last year, has been hailed as a possible model for other local phone companies wanting to make themselves more flexible and entrepreneurial in the face of growing

competition from new rivals offering multimedia communications services. Rochester Tel said yesterday it had reached agreement on the package with staff of the New York State Public Service Commission, which oversees the utility, and with other interested parties. The deal has

to be approved by the full Com-

splitting the group's Rochester area telephone interests into two separate companies. One. called R-Net, would take over the basic telecommunications transmission and switching network. It would become a

wholesale seller of these services to other retail companies, although it would continue to offer some retail services. The other, called R-Com. would operate as a retailer, buying network access from R-Net, and packaging those

ers' product lines, such as voice-mail, data services, long

tory oversight, the price cap regime allows it to be freed from the rate-of-return finan-

distance and wireless. Initially, the only services assigned to R-Com would be

#### in the telecommunications industry. This would allow the group to retain all the cost efficien-

#### mission, which is expected to cles it achieves. US stores post sharp first-term gains

By Richard Tomkins in New York

.C. Penney and Dayton Hudson, two of the biggest US store groups, both reported sharp increases in sales and profits for the first quarter to

and co-operation and take steps to ensure boards operate

independently from manage-

The report was drafted in

response to a rash of corporate

failures since 1990 and share-

holder complaints of lack of

About 70 per cent of the com-panies traded on the TSE have

controlling shareholders who

usually want the make-up of

boards to reflect their inter-

Mr Trevor Eyton, chairman

of Brascan, a large holding

company controlled by the

Bronfman family in Toronto,

said: "I think it would be a

difficult thing to impose.

In many cases the major share-

holder would be under-

represented in the board-

BZW is part of a consortium which includes Ernst and Young, accountants, that has April. J. C. Penney's net income rose to \$223m, a 30 per cent assisted in the valuations of other formerly state-owned airincrease on the \$172m reported lines including Belgium's before extraordinary items last Sabena and Australia's Quntas. time. Fully-diluted earnings Also in the group is Kost Levper share rose to 84 cents from 65 cents before extraordinary ery and Forer, an Israeli corpo-

information.

Toronto SE urges greater

boardroom independence

SNC-Lavalin doubles earnings

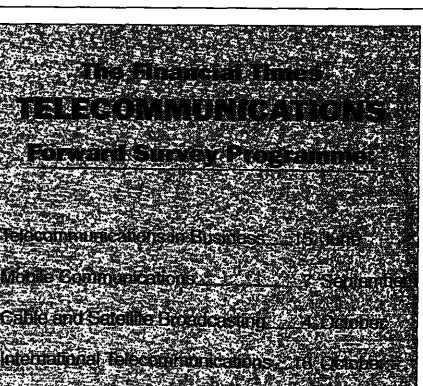
The profits increase was partly driven by a 10 per cent increase in sales to \$4.35bn. J. C. Penney's mix of own-label and brand-name apparel has been selling well in its depart-ment stores, and the group's catalogue operations have benefited from Sears's exit from

the catalogue business. The company benefited from tight control of costs. Selling, general and administrative expenses fell to 25.1 per cent of sales this time from 25.9 per cent in last year's first quarter. Dayton Hudson increased

profits by 31 per cent in the same period, but from a lower base than J. C. Penney. Net income rose to \$39m from \$30m on sales up by 11 per cent to \$4.47bn. Fully-diluted earnings per share rose to 47 cents from

over last month as chief executive, said the Target stores had continued their solid performance. Mervyn's results were starting to reflect the benefits of a new merchandising strategy, especially in women's apparel.

Mr Robert Ulrich, who took

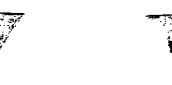


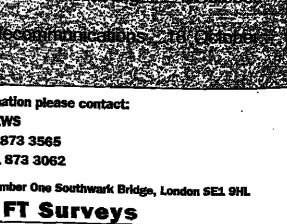
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directors of companies that provided improper information to shareholders. Allegations would be subject to a due dili-**NOTICES** gence defence. The committee said outside directors should meet regularly to review board performance

SNC-Lavalin, Canada's biggest engineering and construction management group, more than doubled first-quarter earnings and expects a strong year despite tough international competition, writes Robert

> Net profit was C\$5.8m (US\$4.2m), or 37 cents a share, against C\$2.4m, or 17 cents, on

revenues of C\$180m, up 4 per cent. The quarterly dividend is from 5 cents.

SNC-Lavalin plans to buy neering firms in Latin America and south-east Asia. It is wellestablished in western Europe and has operated in Russia for

being raised to 7 cents a share control of several local engi-

#### INTERNATIONAL CAPITAL MARKETS

# Treasuries jump after Fed raises interest rates

By Frank McGurty in New York and Conner Middelmann and Graham Bowley in London

After a morning of quiet anticipation, US Treasury bonds prices jumped yesterday afternoon on news that the Federal Reserve would lift short-term interest rates by 50

By 2,30pm, the benchmark 30-year government bond was 14 higher at 86%, with the yield slipping nearly 15 basis points to 7.334 per cent. At the short end, the two-year note was up ¼ at 100%, to yield 6.261

per cent. In early activity, investors were unwilling to make any fresh commitments as most were convinced the Fed would rates again during after a meeting of the policy-making Federal Open Market Committee in Washington.

Though there was a general consensus that a policy move was imminent, there was disagreement among traders over how aggressively the central bank would act. Most believed the discount rate - which the Fed charges on loans to commercial banks - was due for an increase of 50 basis points. In its previous rate action this year, the central bank made no change in the discount rate.

However, traders were divided on whether the Fed would suspend its gradualist approach by lifting its target for the Federal Funds rate charged by banks on overnight loans to one another - by 50 basis points. In each of the previous tightenings, the Fed Funds rate was lifted by 25 basis points.

In the event, the central bank decided on the aggressive approach, lifting the discount rate to 3.50 per cent and its Fed Funds target to 4.25 per cent.

The market's response was immediate. The moves helped the long end of the yield curve by easing any lingering concern over inflationary pressures. Shorter-term securities benefited as well, because the bold strike appeared to dispel the uncertainty engendered by the Fed's earlier approach. The decisiveness of yesterday's move suggested it was the last in the current series.

#### GOVERNMENT BONDS

This view was reinforced by the central bank in its announcement of the policy change. "These actions, combined with the three previous adjustments initiated earlier this year by the FOMC, substantially remove the degree of monetary accommodation which prevailed throughout 1993," it said.

Mr Alan Greenspan, the Fed's chairman, had said his goal was to shift the bank's policy to a more "neutral"

■ European trading was also overshadowed by the FOMC meeting, leaving most markets to drift sideways in moderate

turnover. After tracking German bonds in the morning, French bonds spurted ahead in the afternoon. Some traders said this was caused by late short-covering in the futures pits in expectation of bond-positive news from the Fed.

Moreover, investors were switching from Germany into France, said Mr Brian Hilliard, senior international economist at Société Générale Strauss Turnbull in London. The June notional French bond future rose 0.34 points to

close at 121.10. The June Bund

future was down 0.16 points in after-hours trading at 95.67. In Germany, the focus today will be on the Bundesbank's latest allocation of securities repurchase agreements. German money market traders surveyed by MMS Internarate to fall by 12 basts points to 5.23 per cent.

Trade in the UK government bond market was again quiet ahead of the results of the FOMC meeting and today's UK economic data.

The market firmed in afternoon trading, largely on the back of strength in US Treasuries, The June long gilt futures contract was up 1 at 105% in after-hours trading. The Bank of England announcement that its May 25

7.0 per cent 1997 stock, convertible into 9.0 per cent 2012 stock, for the first time on August 6, drew little reaction "This is a very uncertain issue," said Mr Don Smith of Midland Global Markets. "There is no other stock like it in the market, which makes pricing it very difficult." But analysts said there would be

**NEW INTERNATIONAL BOND ISSUES** 

100.00 Jun. 1999 0.20

Today's release of UK average earnings and RPI data coincides with the publication of the minutes of the March meeting between the chancellor and the governor of the Bank of England. "The avalanche of information could cause quite a choppy time in the markets, especially if there is a pick-up in earnings and inflation, and if there are signs

of a disagreement between the

chancellor and the governor,

said Mr Smith.

■ The Italian bond market is awaiting today's vote of confi-dence in the Senate on prime gilt auction would be of £2bn of minister Silvio Berlusconi's government. Although his coalition is short of a majority in the Senate, most observers expect him to scrape through. Meanwhile, technical distortions at the long end of the Italian yield curve have created buying opportunities, said. Mr Jouni Kokko of

# Caribbean region goes for growth

By Canute James in Kingston

aribbean countries are joining the ranks of the faster growing emerging capital markets. Capitalisation of the region's markets reached \$322m last year, up 41 per cent on 1992, according to the Inter-American Investment Corporation, with the stimulus coming from changes in economic policy in several countries.

Countries such as Trinidad and Tobago, Guyana, the Dominican Republic and Jamaica have opened their economies, allowing greater participation by local and foreign capital in sectors such as utilities, once considered the sole province of governments. Increased private participation has come with the divestment of state economic enterprises, an increase in the number of traded companies on local stock exchanges and a broadening of ownership which has widened and deep-ened the exchanges.

Many previously highlygeared companies have been restructured, making them more competitive. The sensitive foreign exchange markets have also been deregulated with the removal of exchange controls and the floating of

Financial services companies have used the new climate to introduce a range of securities on domestic markets and to move into the regional and for-

eign money markets. The growth in the Caribbean reflects a global trend in emerging markets, according to Mr Rudolf van der Bijl of the Capital Markets Department of the IFC. "In 1982, 32 emerging markets had a market capitalisation of \$67bn," he said. "In 1993 it was almost \$1,400bn - a

The behaviour of emerging markets can be volatile, he reported. In 1992, for example, the Jamaican market recorded growth of 202 per cent, the highest of all the emerging markets. Yet last year the market dropped 50 per cent, largely because of high interest rates.

However, the continued growth of the Caribbean markets is being hobbled by infrastructural and institutional shortcomings. "If the Caribbean countries and companies wish to participate in the international market and reap the benefits of globalisation and internationalisation, they must establish standards and practices consistent with the international market," Mr van der Biji advised.

These changes include equitable and similar fiscal treatment of income from different types of instruments: investor protection; and a modern legal and regulatory framework, such as a capital market law.

n adequate securities commission, compli-Ance with internationally accepted accounting standards and reporting, adequate clearing and settlement standards and procedures, and modern communications are also required.

The prospects for further growth appear to be improv-ing, with indications that government officials are aware of what is needed.

"The development of the cap ital market in some Caribbean countries, such as Jamaica and Trinidad and Tobago, is possi-ble with the flotation of public issues, the underwriting of loans, underwriting of privatisation issues, and syndication," said Mr Paul Chen-Young, executive chairman of the Eagle Group, one of Jamai-

# Uncertainty ahead of FOMC meeting keeps lid on issuance

By Peter John

Uncertainty ahead of yesterday's key Federal Reserve meeting in US put the lid back on the eurobond market. Issuers who were expecting the Fed to announce a rise in interest rates were taking no chances and there was only

a smattering of small offerings. The largest issue came from Raverische Landesaustalt für Aufbaufinanzierung, the stateowned Bavarian development bank. The LfA is borrowing DM200m via a five-year floating-rate note issue priced to yield five basis points below

them as collateral in their dealings with the Bundesbank, Ecu paper was popular as retail investors continued to roll over their holdings. Dealers said around Ecul.7on was

coming up for redemption Crédit Local de France, the triple-A rated French munici-

INTERNATIONAL BONDS

pal financing agency, offered Ecu65m of four-year bonds fungible with an outstanding Ecu235m bond through lead manager Swiss Bank Corp.

Ecu100m issue launched in late March.

There was little speculation of impending deals and the expectation of more yen-based supply was hardly satisfied by yesterday's offering from Hitachi Credit, which issued Y1.5bn via the Bank of Tokyo. Meanwhile. United Microelectronics Corp, a Taiwanese

announced it was issuing \$160m of euroconvertible bonds to fund an increase in its production capacity. UK investment bank BZW. which is handling the launch said the 10-year bond would have a coupon of between 1.25 per cent and 1.75 per cent.

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III NOTIONAL SPANISH BOND FUTURES (MEFF)

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Sett price Change

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III ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (UFFE) Lita200m 100ths of 1

designer, producer and distributor of integrated circuits.

Borrower US DOLLARS

O-MARKS

in the form of Global Depositary Receipts through S. G. Warburg and Cazenove. Final pricing takes place at the The 5.2m GDRs were priced at end of the week. \$8.77 and there was a "green • Tube Investments' Indian shoe" addition of just or arm issued \$50m of new stock 500,000 GDRs. The launch

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-5 (7¼%-96) Swiss Bank Corp. Final terms and non-calisble unless stated. The yield spread lover relevant government bondjet launch is supplied by the lead manager. 
\*\*Private placement. \$Conventible. ‡Routing rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 8 month Libor less 
50p. b) Fungible with existing 255m issue, plus 270 socrued interest, c) issue sunched 11/5/94 increased to 500bn. d) issuem option a convert to FRN's from 21/6/99 and annually thereafter paying 8 mit Libor plus 10bp. e) Coupon indicated at 1.25-1.75%. Indicated 
conversion premium 5-10%. § Fungible with existing 100m issue 40 days after payment.

scheduled to take place three weeks ago but was pulled after the failed flotation of VSNL, the Indian telephone company. Standard & Poor's, the US

Kingdom of Sweden's long-term foreign currency debt. It said the ratings were supported by a manageable external financial position and

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3	Over 15 years (9)	1	163.11	+0.34	162.55	2.71	4.06			8.03	8.05	6.31	8,12	8,15	6.60	8.32	8.31
4	Irredeentables (6)		182.84	-0.81	184.33	0.65	6.12			8.20	8.13	8.86					
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-0.420 7.32
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121.10 120.14 119.20 Jun Sep Dec 121.16 119.78 118.84 +0.34 I LONG TERM FRENCH BOND OPTIONS (MATIF) PUTS Dec Sep 1.04 1.38 1.75 0.09 0.23 0.47 1.11 : 2.75 0.52 Puts 17,804 Ent. vol. total. Calls 72,028 Germany NOTIONAL GERMAN BUND FUTURES (LIFFET DM250,000 100ths of 100% Sett price Change High 95.79 -0.04 95.89 95.31 -0.04 95.35 Low 95.60 95.15 Est, vol. Open int. 114691 2469 E BUND FUTURES OFTIONS (LIFFE) DM250,000 points of 100% PUTS — Aug 1,29 1,57 1,89 Sep 1.28 1.04 0.88 Aug 1.10 0.88 0.70 Jun 1.47 1.73 2.05 0.28 0.51 0.84 0.99 1,28 1,60 0.**80** 0.59 0.41 III NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(UFFE) DM250,000 1000hs of 100% Open Sell price Change Est, vol Open int. High

\* "App" stack. \$\$ Tau hoe to non residents on application. E Auction basis, ad Ex dividend, Closing mid-prices are shown in pour

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ABTRUST ATT AS FUND (the "Company"

Société d'Investissement à Capital Variable ed office: 13 rue Goethe, L1637 Luxemb R.C. Lexembourg B-27.229 NOTICE TO SHAREHOLDERS

An Annual General Meeting of Shareholders of Aburest Atlas Fund will be held at its end office at 13, me Goethe, Lunembourg at 200 p.m. on Thursday 26 May, 1994 for vpose of considering and voting upon the following matters:

- Acceptance of the Chairman's Review and Auditor's report and approval of the financial statements for the year ended 31 January, 1994.
- 2. Distribution of first dividend.
  3. Discharge of the Board of Directors and Auditor.
- ent of an additional Director. 5. Election and re-ejection of Directors.
- 8 Re-election of Anditor.

As Extraordinary General Meeting of Shareholders of ABTRUST ATLAS FUND will be hold at the same address on 26 May, 1994, immediately after the Assual General Meeting referred to above, for the purpose of considering and voting upon the following matters:

To change the current practice of insuing Shares at a bid and offer price to the issue of Shares at a price based on the net esset value per Share with an initial charge on

2) Deletion of the last paragraph of article 5 and are Deletion of the less panagraph of article 5 and amendment of the three last paragraphs of article 21 of the Articles, as as to provide for the possibility for the Board to decide the redemption of all continuous States of the Company, or the termination of a class, the merger between classes of the Company or the merger of a class with another Lexembourg UCTS if the Board decide it appropriate because of changes in the economical or political situation affecting the Company or the relevant class or because it is in the best interest of the relevant shareholders or if the not asset value of all constanding Shares is lower than 10 million US Dollacs or its not used value of any class is fower than 500,000 US Dollacs or its equivalent in snother currency, the

3) Amendment of article 11 of the Articles in order to specifically provide for the h

 Amendment of stricks 26 of the Articles, so as to provide for the declaration of divi on the Shates of each portfolio at class meetings of the relovant classes only. endment of article 20 of the Articles to read as follows:

"The general meeting of shareholders shall appoint a "reviseur d'e shall carry out the duties prescribed by article 89 of the 1988 law".

6) Addition of a new paragraph to article 21 of the Articles, after the fifth paragrap provide for the possibility for the Board of Directors to accept redemptions in kind.

Resolutions on the agends of the Armual General Meeting will require no quorum and will alon as the majority of the votes expressed by the shareholders present or represented at

of the Shares issued and outstanding and will be taken at the majority of two thirds of votes expressed by the stareholders present or represented at the meeting. To attend the meetings, the owners of bearer Shares are required to depo clear days before the meeting at the registered office of the Company.

ons on the assenda of the Extraordinary General Meeting require a coorses of one half

Stareholders who cannot attend the meetings in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 24 May, 1994. Proxy forms will be sent to registered stareholders with a copy of this Notice and can

The shareholders are further informed beruwith that the Board of Directors has decided merge certain of the portfolios of the Company with other portfolios of the Company, as they deem this to be in the best interest of the shareholders.

(i) The United Kingdom Portfolio will be merged into the UK Growth of income Portfolio, (ii) the Europeira Partfolio will be merged into the Consinental Europe Portfolio and (iii) Iapan Snaller Companies Portfolio will be merged into the Japan Portfolio.

Such mergers will become effective one (1) mouth following this Notice. Starcholders of th United Kingdom Portfolio, of the Europriva Portfolic and of the Japan Smaller. Companis Portfolio who do not agree with the mergers are entitled to redeem their Stares until 6 Jun

On 7 June, 1994 in exchange for their Shares in the portfolios being merged all shareholders not having redocmed their Shares will be calified to and will automatically receive as appropriate number of Shares in the absorbing portfolion corresponding to their respective shareholdings in the original portfolios. Confirmation advices of their number of Shares will be control to the characteristics. piders. The holders of certificated Shares of the United Kings lio, of the Europrive Portfolio and of the Japan Smaller Companies Portfolio their certificates to the registered office of the Company to receive new

The number of Shares to be allocated to each shareholder shall be based on the respe sset value of the absorbing portfolio and of the original portfolio on 7 June, 1994. iders of the portfolios being absorbed should be aware of the following:

as sate states of the particular being absorbed states to aware of the statement Portfolio to be absorbed by the UK Growth of Income Portfolio by contribution of all the assets and liabilities of the United Kingdom Portfolio to the UK Growth of Income Portfolio, against contribution to the stareholders of the United Kingdom Portfolio of an appropriate semilor of Shares of the UK Growth of Income Portfolio, proportionant to their shareholding in the original portfolio.

The investment policy of the UK Growth of Income Portfolio is to achieve long term capital growth of income through investments in UK companies which, in total, offer a dividend yield in excess of the yield available on the FT-A All Stare Index. The cuttency of deconstanting and the investment advisory fees of both the absort portfolio and of the portfolio being absorbed are identical.

2. The Europriva Portfolio to be absorbed by the Continental Europea Portfolio by contribution of all the assets and liabilities of the Europriva Portfolio to the Continental Europe Portfolio, against contribution to the shareholders of the Europeiva Portfolio of an appropriate number of shares of the Continental Europe Portfolio, proportionate so

The investment policy of the Continental Europe Portfolio is to achieve long term capital growth through investments in equity securities of companies whose principal activities are based in Continental Europe including Scandinavia.

The currency of denomination of this portfolio is Deutschmark (as opposed to the Europriva Portfolio's currency of denomination which is Sterling Pounds). The absorbing portfolio may be protected against currency exchange risks by the use of authorised bedging techniques. The investment advisory fees of both the absorbing portfolio and of the portfolio being

3. The Japan Smaller Companies Portfolio to be absorbed by the Japan Portfolio

and Japan Smaler Companies retroits to be asserted by the Japan Portion by contribution of all the assets and liabilities of the Japan Smaller Companies Portfolio to the Japan Portfolio, against counflution to the shareholders of the Japan Portfolio, of an appropriate number of shares of the Japan Portfolio, proportionate to their shareholding in the original portfolio.

The investment policy of the Japan Postfolio is to achieve long term capital growth thro investments in equity securities of companies whose principal activities are traced in Japan. ency of despushation and investment advisory (see of both the absorbing portfoli

IF YOU GO DOWN TO THE WOODS TODAY .... One thing is certain as & when bear markets arrive, the vast majority of investors will suffer whilst the knowledgeable will pick up the bargains of a lifetime. Avoid the pitfalls of investments in the 1990s & ring 061 474 0030 to book your FREE

One Chart Equals One Hundred Stories

#### NOTICE OF AMENDMENTS TO TERMS AND CONDITIONS

HYOSUNG (AMERICA), INC.

US\$ 50,000,000 Guaranteed Floating Rate Notes due 1996

Hyosung (America), Inc. (the "Issuer") bereby gives notice to the holders of the US\$50,000,000 Guaranteed Floating Rates Notes due 1996 (the "Notes") (each a "Notcholder" and together the "Noteholders") that at a meeting of the Notcholders held on 6th May 1994 at 3pm (London time) at the offices of KEB International Limited at Guildhall House, 81-87 Gresham Street, London ECZV 7EB the following extraordinary

(a) THAT the Terms and Conditions of the Notes be and they are hereby modified by deleting the words "falling in July 1994 or in July 1995" and replacing the same with the words "falling in July 1996" in Condition 5(e); and

(b) THAT in consideration of the variation of the Terms and Conditions of the Notes as specified above the Issuer shall pay to the Noteholders on 19th July 1994 a fee of 0.15 per cent of the principal amount of Notes held by such Noteholder.

Terms used in the Terms and Conditions of the Notes bear the same meaning in this notice. Copies of a Supplemental Offering Circular, supplemental to the Offering Circular dated 10th July 1991, are available from the Luxembourg Stock Exchange and the Paying Agents.

This notice is governed by, and shall be construed in accordance with,

Fiscal Agent KDB Asia Limited Suite 2101/3 Two Exchange Square Central Hous Kong

#### **COMPANY NEWS: UK**

# Higgs & Hill rights to fund land purchases

By Andrew Taylor, Construction Correspondent

Higgs & Hill yesterday joined the growing band of builde announce share issues to pay for housing land purchase

The company plans to raise 222.2m by offering shareholders one new share at 105p for every two already held. It has agreed to buy 78.6 acres of land, more than half in south-west England, for

The land on 13 sites is sufficlent to huild about 930 homes said Mr John Theakston, chief executive. More than four fifths of the land, 87.2 acres, is being acquired from English China Clays for £19.3m.

English China Clays has previously announced its with-drawal from housebuilding and is in the process of demerging its building materials business. Higgs & Hill's share price yesterday fell by 10p to 122p. The land has been acquired at a price of about £24,000 a plot,

compared with an average house price of £82,000, producing an estimated gross margin of 18 per cent before selling expenses, said Mr Theakston. At the end of last year, the company owned 1,200 plots with planning permission at an average cost in the balance

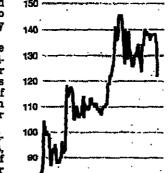
sheet of £23,000 each. The num-

ber of plots will now increase to more than 2,000. This will enable the company, which previously has operated mainly in south-east England, to increase the number of homes it builds annually from 332 last year to 650 by the

end of next year.

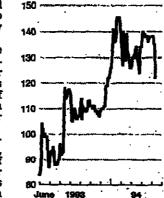
The purchase of three of the sites would depend upon revised planning approvals being granted. English China Clays had agreed to carry out off site works on a fourth site. Under the terms of the deal, £13.7m would be paid to English China Clays immediately, £3.7m on award of plan-

Share price (pence)



minority investors. Source: FT Greatite

The timing of the cash call is not the best given the sharp rise in housing land prices and the recent pressure on housebuilding stocks. The market therefore was duly suspicious of the value to be gained from buying sites which in the case of English China Clays have been on the market for more than a year. On the other hand, Higgs & Hill manage ment is highly regarded and profits of £12.5m in 1996 would leave the group on a prospective p/e of under 10 on an exrights price of 123p. The rights therefore, should be supported, but the market is getting



ning and completion of works

with the final £1.9m to be paid by December 16 next year. Higgs & Hill said that at the end of April it had net cash of between £3m and £4m, but expected to move to modest borrowings by the end of this year to meet the cost of establishing a new division in the south-west and other land pur-

#### COMMENT

fatigued by the volume of shares being issued by house-

## Minproc sells stake in Bakyrchik Gold

By Kenneth Gooding,

Shares in Bakyrchik Gold, set up last year to exploit a gold mine in Kazakhstan, fell by 10p to 315p yesterday after it revealed that its biggest shareholder had disposed of a 19.1 per cent stake despite giving an undertaking last August that it would not sell any more shares for at least a

The shares were placed on behalf of Minproc, the Australian group, at 300p each to raise about £9m.

Minproc was the second founder-shareholder to pull out of Bakyrchik. Only five days after trading began on the London Stock Exchange, Chilewich, a New York trading organisation, sold virtually all of its 25 per cent

Minproc also sold about 5 per cent then but also gave undertaking to keep the rest of its shares for 12

There was no hint about these sales in the documents in connection with the £9m plac-

Invitation No.

TSB-9332-190(3)

liams de Broë. Mr David Hooker, Bakyr-

chik's chairman, said yesterday that Minnroc was in the throes of a necessary financial reconstruction and had asked Bakyrchik to be relieved from its undertaking. He said that "while the dis-

ing, at 120p a share, by Wil-

posal of this large stake by a founder is regrettable, as we have a financing later this year we thought it better to release Minproc from its undertaking, rather than go into that financing with a major shareholder reluctant to take up its rights" The shares were placed with-

out difficulty with new and existing institutional share holders "who have the finanfuture funding of the Bakyrchik mine in Kazakhstan," he

venture was on course to pour its first gold in July and a fea-

**CONTRACTS & TENDERS** 

"TAIWAN SUPPLY BUREAU"

TENDER ANNOUNCEMENT

**BUYER: TAIWAN RAILWAY ADMINISTRATION (TRA)** PURCHASING AGENT: TAIWAN SUPPLY BUREAU (TSB)

3, KAI FENG STREET, IST SEC. TAIPEL, TAIWAN, R.O.C.

TEL: (02) 3119814 FAX: (02) 3610995

For further details, please refer to the tender Invitation, The tender Invitation

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is waiting to be taken back (free USD340) and welcome to participate.

DESCRIPTION

Push-Pull trains

Tender

**OPENING** Date

9.30 A.M.

cial resources to support Mr Kevin Foo, chief executive, said the Bakyrchik joint

O'TY/UNIT/CAR

(Loco, 64 Cars,

sibility study about a second stage, to cost some £100m, would be ready by the end of this month.

#### ered by the close. The issue, which raised £55.4m of new money for the company and £62m for Mr Steve Morgan, the founder and chief executive, has fallen foul

of dealings

First day dealings in Redrow,

the latest housebuilder to

come to the market, ended

with the shares trading at

128p - representing a 5 per

cent discount to the issue price

of 135p, writes Andrew Taylor.

At one stage the shares had

been as low as 118p but recov-

of the recent fatigue regarding new issues, particularly by housebailders. Of the minimum 21.75m shares offered to the public

only 17.12m, or 78.7 per cent, were taken up. The issue was fully under-

written by Barclays de Zoete

their holding in the share offer, but the management will retain its interest of about 10

value likely to top £175m

Pillar Property flotation

Pillar Property Investments yesterday became the ninth per cent. Analysts said that like Capi-tal Shopping Centres - the property company to come to the market this year. Pillar, formed in 1991 by Arlington £209m retail property flotation Securities, the British Aeroearlier this year - Pillar space subsidiary, will be valoffered sound management and quality assets, but the success of the offer would hinge upon

The company has built up a portfolio of 25 properties valued at £330.4m, having been set It is being issued in a competitive market, following the publication last week of the up with £70m cash to capitalise on collapsing property valuapathfinder prospectus for Its initial shareholders were Argent, another relatively high quality property group.

British Aerospace, Electra and General Electric. A year ago, Pillar has a geographically British Aerospace sold its stake to its partners, and spread portfolio, comprising 35 per cent office space, 20 per cent office park, and the Arlington's founders, Mr Raymond Mould and Mr Patrick remainder in retail and distri-Vaughan, were brought in as its current annualised rent

ued at more than £175m.

**NEW ISSUES** 

Mr Humphrey Price, finance director, said Electra and General Electric had not decided whether they would sell part of

#### Amey to raise £10m Redrow at 5% discount via market listing on first day

roll is £23.7m, substantially

higher than financing costs,

and 67 per cent of its rent is

derived from FT-SE 100 compa-

By Andrew Taylor

Amey Holdings, one of the UK's largest private construction companies and the sixth biggest roadbuilder, plans to raise about £10m in new money when it comes to the market next month.

Existing shareholders, including Close Brothers which holds a 25 per cent stake on behalf of approximately 30 investment institutions, also expect to raise £10m by selling some of their hold-

Amey, which issued a pathfinder prospectus yesterday, is expected to have a stock market value of about £50m when the price of the issue is announced on June 2. The shares will not be

offered for sale but will be placed with Baring Bros, sponsor to the issue. James Capel will act as broker.

The company, previously part of the ARC building mate-

rials and construction group, was briefly a Hanson subsidiary when ARC was acquired from Consolidated Goldfields by Hanson in August 1989.

nies or government bodies.

The portfolio was put

together by Mr Robert Maxted. former director of Speyhawk

He will be property director of

the listed company, but Mr Mould and Mr Vaughan will be

taking on a more active man-

agement role, as chairman and

chief executive respectively.

As founders of Arlington

they developed an expertise in business parks, and made an

astute call on the property market, selling to British Aerospace at close to the

It is unclear what impact

their return to Pillar will have

on its investment strategy.

although it suggests the group

will be looking at property

development opportunities.

Barclays de Zoete Wedd is financial adviser, while Klein-

wort Benson is broker to the

issue, which is set to be

launched within the next two

Amey was sold almost immediately by Hanson for £6.5m to Amey directors: Mr Neil Ashlev. executive chairman, Mr Eddie King, managing director, Mr David Cawthorne, finance director and Mr Richard Douglas, managing director of Amey Building.
Mr Ashley said the compa-

ny's continuing businesses made pre-tax profits of £4.7m last year on group sales of £210m, compared with profits of just £300,000 on sales of £70m in 1989. If losses from the former electrical business of JM Jones,

now closed, are included pretax profits last year would be reduced to 92.16m At the end of December

£16.1m to

cut debt

By ian Hamilton Fezey,

Northern Correspondent

The family interests of Mr

Peter Johnson, chairman of Park Food and Tranmere

Rovers - and prospective

chairman of Everton Pootball

Club - will get about £1.75m from the flotation of Night-

freight, the express parcels group, of which he is also

More than 16m shares are being placed at 105p to raise £16.1m, giving a market capi-

talisation of £47.3m. Exis

shareholders are selling 4.72m shares. Of the placing 400,000

are being placed with prefer-

ential applicants including

existing shareholders, employ

ees and associated companies operating within Night-freight's UK network.

Another principal beneficiary will be 3i, the invest-ment group, which is selling 2m shares worth £2.1m. The company will raise a net £11.2m to eliminate debt.

Nightfreight distributes The Independent newspaper and specialises in industrial packages for the just-in-time market. It was founded by Mr Russell Black, who bought Hernway Transport, a former regional newspaper distributor, from the receiver for £180.000 in 1984.

Mr Johnson became involved in 1990 when Mr Black needed capital and negotiations with a venture capital provider broke down. Mr Johnson, who knew Nightfreight because it once distributed Park Food's Christmas hampers, put in £500,000.

Forecast earnings per share of 7.5p for the year to November 30, compare with 4.12p. The historical p/e was 25.5; the forecast is 14. Notional gross dividend yield at the placing price is 4.03 per cent.

# AAF in talks to dispose of wheels division

AAF Industries, the mini-conglomerate of 1993, is at an advanced stage in talks on the possible disposal of Alloy Wheels, which makes wheels for the car industry. The division accounted for £32m of total

turnover of £72.1m in 1992. The group's other activity - system building accounted for the halance

The potential buyer is thought to be from outside the UK.

# on all-round growth

17p to 201p yesterday as the distributor of electronic compoof results since coming to the market in November last

six months to end-March, against £1.22m from sales of

Shares in Abacus Group rose £14.1m in the comparable

of last year. It is expected to announce its that plunged into the red in the first half full year losses along with the sale - possibly later this week. Announcing interim results last Octo-

ber, AAF said it had concluded a joint marketing and technical collaboration agreement with Topy Industries of Japan, . said at the time that the net proceeds of one of the world's largest alloy wheel man-

The group incurred a pre-tax loss of ing manufacturing business, which it £11m on turnover of £42m in the first half bought in 1989, into an on-site contractor. The group warned last year that further costs of £7m would be incurred in the second half because of the closure of the

lossmaking division. In November it sold its US modular building subsidiary for \$33.3m. The group the sale would be about \$13.3m (£8.8m), of which £4.3m would be used to reduce debt to about 224m, leaving gearing at between

First half earnings rose by

Sanderson's shares closed

cessful full year results.

13p higher at 350p.

The I

Which

The first-half deficit stemmed directly to about £24m, leaving gearing from expansion of its prefabricated build-

# Abacus shares rise 17p

nents published its first set said all parts of the business

were priced at 140p at flotation, turned in pre-tax profits of £2m from turnover of £18.2m for the

period last year. Mr Peter Grundy, chairman, continued to perform well, with order books at record

Earnings per share showed an advance from 2.9p to 4.6p, and directors declared an interim dividend of 1.12p in respect of the period since

#### Sanderson Electronics advances 20% to £2.17m

Profits at Sanderson Electronics, which apart from its computer interests is sponsor of Sheffield Wednesday Football Club, rose by 20 per cent to £2.17m pre-tax for the half

sitions made in the opening

half would lift annual turnover

1.7p to 15.9p and a second interim dividend of 6p (4.5p) makes an 11.4p (9.9p) total for the year ending September 30 year ended March 31. Acquisitions added £203,000 The second half had started to profits and £2m to total "positively" and the directors turnover of £14.2m (£12.1m). looked for another set of suc-The directors said three acqui-

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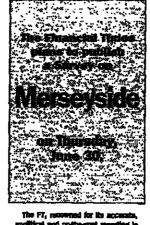
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absorbed, providing the latest on: Global deregulation

# Restructuring costs hold back BOC to £79.7m

Economic recovery was boosting sales volumes at BOC, the industrial gases and healthcare group said yesterday on publication of its results for the half year to

An exceptional £85m provision for restructuring and losses of £8.7m on disposals left pre-tax profits at £79.7m, compared with £182.4m.

Earnings per share, after the exceptional items, were 3.65p (23.55p). The dividend is unchanged at 11.6p. Borrowings have hardly

changed from the start of this financial year and gearing was 33 per cent, the company said. The figures were at the top end of expectations, however, and the shares rose 29p to 715p.

Turnover increased to £1.72bn (£1.59bn), thanks to economic recovery in the US and Australia, the company

BA acquires

By Michael Skapinker, Leisure

Air Miles, since it was founded

Mr Robert Ayling, BA's

group managing director, said: "Air Miles is one of the best-

known brand names in the

country and we are now keen

to get on with developing the

business as a mass market cus-

Air Miles runs customer loy-

alty schemes for 150 compa-

nies, including BA's Executive Club. National Westminster

Bank, Shell, Hertz, Hilton and BA said it carried about 500,000 passengers through the Air Miles programme last

year. This represented a little

more than 5 per cent of its

surplus seats, which would

There are 3.75m registered

collectors of Air Miles in the

UK and 2.75bn Air Miles in

circulation. BA said this was

the equivalent of 10 per cent of

otherwise have been empty.

tomer loyalty programme."

Industries Correspondent

minority in

Air Miles

said. Higher demand from gradual and the group's con-manufacturing industry helped centration on markets in develthe gases division report operating profits up from £156.6m Although prices remained

flat, Mr Pat Dyer, chief executive, said he was studying the price rise proposed on Monday by Praxair, a US rival. You would not have to be

too intelligent to see what we are going to do," said Mr Dyer, adding that it would be "a little difficult" to raise prices by more than 7 per cent. The gases business in much

of continental Europe remained in recession BOC's recently acquired atmospheric gases businesses in Poland and its hydrogen business in Germany had made some pro-

"We would like to have a bigger continental presence," said Mr Dyer, although he added that any growth in mainland Europe would continue to be

oping economies had provided BOC with strong growth.

Pacific market were offset by lower profits from Japan. The healthcare business continued to be hit by the falling price of the anaesthetic gas Forane, which has lost its patent protection in the US. Healthcare operating profits

Better results from the north

The company's new anaesthetic, Suprane, continued to gain market share "but the costs associated with introducing it meant that it could not offset the impact on profit from lower Forane revenues

fell 47 per cent to £29.3m

The smaller vacuum technology and distribution services business benefited from growth in demand from semiconductor manufacturers. Its operating profits rose from

#### Celltech near to asthma drug deal

By Daniel Green

British Airways has bought the outstanding 49 per cent of Air Miles Travel Promotions from MCM. The airline would not say how much it paid but it is thought be less than worth at least £20m. BA has owned 51 per cent of

Mr Peter Fellner, chief executive, said yesterday he was in advanced talks with four companies interested in taking the asthma treatment through the later, more expensive, clinical trials and to market.

The deal would involve rovalty payments to Celltech and "other mechanisms" for sharing profits, he said. News of the deal came as the

Turnover rose from £5.5m to £6.5m as the biologics division boosted sales of materials to pharmaceutical companies. This figure is likely to be much lower in the second half as production stops for new and larger equipment to be installed.

Sales of biologics, and a

#### Sedgwick disappoints City with 5% advance

Sedgwick Group. insurance broker, yesterday announced a 5 per cent increase in pre-tax profits to £43.6m for the first quarter of 1994, up from £41.6m. The figures disappointed most analysts, however, and the share price fell 6p to 197p.

The result was affected by a poor performance from Sedgwick's UK reinsurance business, and a combination of restructuring costs and a seasonally quiet start to the year at Noble Lowndes, the employee benefits consultancy.

Revenue from brokerage and fees increased to £239.8m (£204.9m) while interest and investment income fell £1.3m to £9.6m, reflecting lower

Mr Stuart Tarrant, finance director, said the results were in line with the statement at the annual meeting that Sedgwick would experience a flat-ter first half and stronger second half, compared with previous years. He said present performance was in line with budget forecasts.
Sedgwick Payne, the rein-

surance arm, was hit by the large number of clients who have withdrawn from the London underwriting market. But Mr Tarrant said the business would improve in the second

Noble Lowndes, acquired from TSB on September 30, was affected by restructuring in the US, where 150 people were made redundant through the closure and merger of offices. Mr Tarrant said the more substantial IIK business had performed in line with expectations.

Rarnings per share dipped to 5p (5.7p) as a result of the August rights issue.

So far, several US states, including New York, have

lifted restrictions on public sec-

tor pension fund investment in

South Africa. And others, such

as California, are in the pro-

The joint venture will act as an agency broker for investors

wishing to buy South African

shares and as the vehicle for

cess of doing so, he said.

# Economic recovery aids Hanson

By Maggle Urry

Evidence of economic recovery in Hanson's two main areas of activity could be detected in many of the half year figures published by the Anglo-American conglomerate yesterday. Mr Derek Bonham, chief

executive, said the first half of the financial year, to end-March, was "marked by clear signs of emerging economic recovery in the UK and continuing improvement in the US". He said the group's profits were still close to their trough, with the potential peak - based on the group's previous records in each division at £1hn more in a full year.

The group is involved in many cyclical areas - such as bricks, aggregates, lumber and polyethylene - which were now seeing the benefit of the economic upturn translated into rising volumes and increased prices, and in turn higher profits.

At London Brick, for instance, volumes rose by 10 per cent and prices by 5 per cent with lower levels of price discounting too. As a result, brick stocks in the UK have fallen to less than four months worth. ARC, the aggregates

business, increased prices between 6 and 10 per cent on March 1, while in the US, polyethylene prices were upped by 5 per cent, with every extra cent adding \$35m to \$40m (£27m) to operating profits in a full year. Forest products profits rose 20 per cent to £60m.

Even so, some areas saw profit falls. Grove Cranes fell from £15m to £5m as excess equipment with dealers, both new and used, depressed markets in Europe and the US. Profits from SCM Chemicals, which makes titanium dioxide. fell 15 per cent to £44m as prices dropped 5 per cent, offsetting a 9 per cent rise in

The figures were the usual Hanson maze of one-off items, both positive and negative. Group sales in the half were ahead 17.7 per cent to £5.64bn, with £848m coming from acquisitions, virtually all from Quantum Chemical, bought on the final day of the last financial year.

Operating profits from continuing businesses fell to £373m (£391m), but acquisitions contributed £70m. Quantum's polyethylene activities made £32m and Suburhan Propane chipped in £38m. Discon-



Derek Bonham; group profits still close to their trough

tinued operations such as Beazer Homes, floated in the half year, made £28m (£40m). A profit of £333m (£40m) was recorded from disposals, which includes the housebuilding sale, the office products business, and a number of small IIK activities

There was a £155m swing on the interest line to a negative £119m. Mr Bill Landuyt, finance director, said this was in line with warnings made last December of an expected adverse swing during the current year of £275m. That left

pre-tax profits at £663m, some 35 per cent up on £507m. Organic growth in operating

profits was 8.4 per cent to £453m, with the rate accelerating between the first and second quarter, Mr Bonham said. That figure excluded disposal profits, and the £80m (£25m) cost of the Peabody coal strike settled in December.

A potential concern was a cash outflow of £246m. How-ever, Mr Landuyt blamed most of this on a £387m rise in working capital which resulted from a number of changes. The refi-nancing of debt meant that £145m of accrued interest at the end of the last financial year had not been replaced. and the change of date for the budget - in advance of which Imperial Tobacco usually runs down its stock, left it with £80m higher working capital.

Mr Landuyt said on a nor-

malised basis, there would have been an inflow of £100m. The cash raised from disposals, which totalled £815m, and the issue of shares which brought in £116m, with £89m coming from the exercise of warrants issued in 1987 when Hanson bought Kidde, cut gearing from 86 per cent to 69 per cent over the six months.

Celltech, the biotechnology company which floated on the stock market in December 1993, will within months sign a collaborative deal on the development of an asthma drug

company released its interim

By Norma Cohen,

investors.

Investments Correspondent

Smith New Court has reached

agreement with a leading

South African stockbroker to

establish a New York-based

joint venture which will sell

South African shares to US

Agreement has also been

the end of March 1994.

The proceeds from the flotation lifted the company's net cash position - one of the most important figures in a biotechnology company's balance sheet - to £40.3m (£11.4m).

£1.5m progress payment from Bayer, helped limit the halfyear pre-tax loss to a little

SNC creates S African venture

stockbroker. The stake is the

maximum envisaged by the recently published report of

the sub-committee of the South

chief executive, said the deal

was intended to capitalise on

the anticipated demand from

US institutions which for

decades have been discouraged

Mr Michael Marks, Smith's

African Stock Exchange.

#### Standard Platforms in reconstruction plan

Marley makes £20m sale

pany debt.

Shares in Standard Platforms Holdings, the USM-quoted com-puter hardware and software group, which were suspended on March 30 at 36p pending publication of its accounts, resumed trading at 18p yester-

The group reported pre-tax losses of £1.07m for the 18 months to September 30 1993, against losses of £847,471 for the previous year. It also announced a proposed

rights issue, loan stock conversion, a capital reduction, a share option scheme and board

**Construction Correspondent** 

Marley, one of Britain's biggest

building materials companies,

has sold Bisch Marley, its clay

roof tile subsidiary in Alsace,

France, for FFr170m (£19.8m)

to Keramik Holdings of Swit-

The sale for cash reflects

Marley's policy of disposing of

command a large market

share. The sale price includes

ses where it does not

By Andrew Taylor,

zerland.

changes. The directors said that if resolutions relating to these were not passed at an extraordinary meeting on June 9 the group's future would be uncertain and it might have to

cease trading.
The capital reconstruction involves the subdivision of 10p ordinary shares into one ordinary Ip share and one deferred 9p share.

The issue, to raise £450,000 net. is on the basis of 5-for-2 at 5p per share fully underwritten by a group of investors

the repayment of inter-com-

of FFr108m at the end of

December, reported operating

profits of FFr11.8m last year.

Marley said that Bisch was a

leading supplier of roof tiles in

eastern France but had been

unable to translate this into a

sufficiently large national posi-

used to repay group borrow-

The proceeds initially will be

Bisch, which had net assets

#### Lasmo yesterday fired its second volley in the war

on hostile predator

Lasmo steps up attack

By Robert Corzine and Peggy Hollinger

against hostile predator Enterprise Oil by accusing the rival explorer of having lost its way

Mr Rudolf Agnew, Lasmo's chairman, urged shareholders in the second letter in less than a week to reject Enterprise's £1.4bn paper offer. He claimed Enterprise's management was "hiding behind the success of its predecessors".

reserves had fallen by 42m barrels of oil equivalent in the 1990s, while almost £500m had been spent on exploration, appraisal and acquisitions. Finding costs had also risen since 1990 from 43p per barrel to

Enterprise was spending more to find less oil, Lasmo argues. "In 1993, Enterprise spent £67m to drill 2.6 net wells. Finding costs have soared," the company

DIVIDENDS AN	IVIDENDS ANNOUNCED						
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year		
Abacusint	1,124	July 28		-	-		
Allied-Lyonsfin	14.9 <del>†</del>	July 29	14.05	22.2	21		
Anglo Irish Bankint	1.364†	July 19	1.36	-	2.933		
Baring Strattonfin	2.29	July 5	2.29	2.29	2.29		
BOC nt	11.6	Aug 1	11.6	-	23.2		
Hansonint	3♥	July 1	2.85	-	11,4		
H'pools Waterfin	37	July 1	33	60	55		
New Throgmortonfin	0.25	July 29	2.25	4.75	6.75		
Sanderson Electint	81 ×	July 4	4.5	11.4	9.9		
Scottish Valueint	1	July 7	0.85	-	1.8		
Siam Selectivefin	0.6	Aug 12	1	0.6	1		
Smith (James)fin	3.1†	July 11	2.8	4.65	4.2		
Worth inv Trustfin	0.1	June 29	0.1	0.1	0.1		
Dividends shown pence   Increased capital. Firish   Second interim making	bence. ♠M	aiden divide					

#### its unused capacity. The number of Air Miles in circulation reached in principle for Smith from buying South African South African clients of both shares by widespread Amerito acquire up to 30 per cent of firms who wish to offer their is likely to grow to 5bn by the end of this year. Davis Borkhum Hare, the can revulsion for apartheid. shares for sale in the US. The last 12 months have seen major developments

Group objectives.

which materially advance

Pre Tax 1993/94	Profit* 1992/93	Earnings   1993/94	per Share* 1992/93	Net Dividen 1993/94	ds per Share 1992/93		
£636m	£544m	39.8p	35.2p	22.2p	21.0p		
Up l	6.9%	Up 1	3.1%	Up	5.7%		

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# Dorling settles dispute with TBS Scottish

By Andrew Bolger

Peace has broken out in the war between Dorling Kindersley Holdings, the publisher of illustrated reference books, and its distributor, Tiptree Book Services, which is owned by Random House, the US pub-

DK recently partly blamed computer problems at Tiptree for a 17 per cent decline in its pre-tax profits in the six months to December 31 - a sales was partly offset claim disputed by Tiptree, which said it refused to be made a scapegoat for DK's failure to meet the high expecta- run.

tions it had generated among shareholders.

DK said yesterday it would this summer transfer the distribution of its publications for the UK book trade and English-language exports from Tiptree to International Book Distributors, a Rugby-based company which is part of Paramount, the US media company. As part of a confidential settlement, a compensation payment to DK for the loss of by a payment to Tiptree for ending the distribution deal when it still had 14 months to

Mr Rod Hare, managing director of DK, said: "We had to ensure that our distribution this autumn would not be at risk - that was our paramount concern. Tiptree was confident that it could manage, but we decided not to take the

He added: "The settlement

will certainly improve our results this year, but I doubt whether they will be signifi-cantly better because of the sation." DK had already transferred

from Tiptree to International Book the distribution of DK Family Library, its direct-sell-

ing operation to homes and schools which was most affected by the problems at Tiptree.

Mr Hare said DK had lost "significant proportion" of its network of Family Library agents, but this was being ebuilt as confidence in supplies returned.

DK's shares, which were floated at 165p at the end of 1993, had climbed to 351p last October, but plunged to 213p in December after the group issued two profit warn-

igs. The shares yesterday closed

## Value Trust advances

Restructurings and other changes in companies within its portfolio helped Scottish Value Trust outperform its benchmark in the six months to end-March.

Net asset value rose 23 per cent over the half year to 119.63p per share, easily exceeding the FT-SE-A Investment Trusts Index, up 8.2 per cent over the same period. Referring to the showing, Mr Bob Borthwick, chairman,

highlighted the reconstruction of Ivory & Sime Enterprise Capital, which enabled the vertible loan stock and enhanced the underlying net asset value of its investment in the ordinary capital, and the restructuring and subse-quent share price increase of Utility Cable, the former Bail-lie Gifford Technology, in

# Charterhall disposal costs leave Seafield £24m in loss

By David Blackwell

Losses at Seafield, the Dublin-based transport and distribution company where the board is under fire from dissident shareholders, more than doubled from £11.1m to £24.2m pre-tax for 1993. Turnover dropped to £27.5m

Mr Brian Chilver, chairman, said the results marked the end of "the disaster created by the acquisition of Charterhall

Properties in 1989". Charterhall was sold last

\$21.7m, including £17.5m of on June 10. They want to goodwill written off.

Profits from continuing operations fell from £1.1m to £804,000 on turnover of £17m (£18.7m). Mr Chilver said this reflected

increased competition in the European freight business following the continental reces-Losses per share emerged at

35.4p (15.4p). Dissident shareholders speaking for 35.4 per cent of the share capital have called

October resulting in a loss of for an extraordinary meeting replace Mr Chilver and another director with Mr Robert Copby and Mr Tony Wilson, a former executive chairman of the group, because of the group's dismal" trading record.

Mr Chilver, who is writing to shareholders this week, said Seafield was expecting "significant progress" this year after "three years of dealing with the errors of the previous management, led by Mr Wilson, which threatened the very existence of Segfield.

#### Anglo Irish Bank improves by 39% trust to realise a substantial profit on its holding of con-

By Gary Evans

A return to profitability from its London-based operations helped Anglo Irish Bank Corporation raise profits by 38 per cent from 1£4.44m to 1£6.15m (£5.99m) pre-tax for the six months to March 31.

said the performance reflected

pects for the next six months an unchanged interim dividend were encouraging.

an unchanged interim dividend of 1.36p is declared. were encouraging.

Mr Murphy said the bank

would continue to focus on medium sized corporate and professional business, with a wide sectoral spread. He expected full year profits to be above last year's 1£9.25m.

In the UK, quality loan the acquisition of the Chemical Bank UK loan book last autumn contributed to profitMargins were maintained and bad debts contained." Deposits were up to 121.04bn, an 8.5 per cent rise on the year end figure and 22 per cent higher than at March 31 1993. Capital resources rose to more than IE174m in the period, with

which Scottish Value held a 26 Earnings were 1.18p; the

karaoke market, incurred a said: "Goodmans is an estab-pre-tax deficit of £1.09m in the lished brand name which will 12 months to end-January 1994 on turnover of £36.4m. Net assets at that date were 6876.000. Until January 1993 it

another quality brand to our portfolio.

# Alba acquires Goodman Inds

Alba is to purchase Goodmans Industries, its rival consumer electronics group, for a maximum of £3.6m in shares and

Goodmans, which specialises

formed part of TGI, the professional and consumer audio

Mr David Harris, chief executive of Alba, which also takes in the Bush and Hinari brands.

produce new opportunities for profit.
"The acquisition reinforces Alba's focus and adds

Alba will also subscribe for £700,000 of new Goodmans shares and fund the repayment

#### Overall lending rose by 4 per cent, reflecting slack demand per cent stake. the combined impact of the in in-car entertainment and Mr Gerry Murphy, chairman, After-tax profits for the half recent I£58m rights issue and interim dividend goes up to 1p (0.85p) and a total of 2p (1.8p) year rose 40 per cent, from I£3,29m to I£4.61m. Earnings in Ireland. The chairman comthe addition of 1£23m in tier domestic audio and visual "the focused strategic two capital via the issue of products and ranks first in mented, however. "The lending division performed very well. subordinated loan stock. is anticipated for the full year. I brand share in the home approach of the bank". Prosper share were 2.6p (2.39p) and INFORMATION FROM THE BANK OF ENGLAND ISSUE OF £2,000,000,000 7% TREASURY CONVERTIBLE **STOCK 1997** INTEREST PAYABLE HALF-YEARLY ON 6 FEBRUARY AND 6 AUGUST FOR AUCTION ON A BID PRICE BASIS ON 25 MAY 1994 PAYABLE IN FULL WITH APPLICATION With a competitive bid With a non-competitive bid Price bid £100 per £100 nominal of Stock This Stock will, on listic, be an investment falling within Part II of the First Schedu to the Trustee Investments Act 1961. Application has been made to the London Sto Exchange for the Stock to be admitted to the Official List on 26 May 1994. £100,000 £1,000,000 £1,000,000 or greater Li,000,000 or greater Li,000,000 or greater Li,000,000 L THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND Invite The principal of and interest on the Stock will be a charge on the National Loans and, with recourse to the Consolidated Pand of the United Kingdom. The Stock will be registered at the Bank of England or at the Bank of Ireland, elfast, and will be registered at the Bank of England or at the Bank of Ireland, elfast, and will be transferable, in multiples of one penny, by instrument in writing a secondance with the Stock Transfer Act 1963. Stock registered at the Bank of neglated held for the account of members of the Countil Gilm Office (CGO) Service till also be transferable, in multiples of one penny, by extempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers 4. Interest will be payable half-yearly on 6 February and 6 Angust. Income tax will be deducted from payments of more than £5 per amount. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 26 May 1994 and the first interest symment will be made as on 6 Angust 1994 at the rate of £1,3809 per £100 nominal of Stock. THE PRICES WHICH THEY RID; competitive bids which are accepted and which are notes a prices above the lowest accepted price will be satisfied in full competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only. TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND NON-COMPETITIVE BIDS I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 17 May 1994 as follows:-

. The Stock may be held on the National Savings Stock Register. 5. Holdings of 7% Treasury Convertible Stock 1997 may, at the option of holders, be converted in whole or in part into 9% Treasury Stock 2012, as on the following dates and at the indicated rates:

Notimal amount of 9% Treasury Stock 2012 oer £100 notimal of 7% Treasury Convertible Stock 1997

6 August 1994 6 February 1995 6 August 1995 6 February 1996 7. Amounts of 9% Treasury Stock 2012 issued in order to meet the exercise of the above options to convert will rank equally in all respects with Stock already issued and will be subject to the provisions of the prospectua dated 7 February 1992. Notices setting out the administrative arrangements for the exercise of the options to convert and forms of acceptance for completion will be lasted to holders at the appropriate times.

8. Her Majesty's Treasury has directed that Section 471 of the Income and Corporation Taxes Act 1988 (which relates to the treatment for textation purposes of instancial concerns whose business consists wholly or partly in dealing in securifica) thall apply to exchanges of securifies unde in pursuance of the conversion offer. Holdings of 7% Treasury Convertible Stock 1997 in respect of which options to convert have not been exercised will be repaid at par on 6 August 1997.

10. 7% Treasary Convertible Stock 1997 and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland. Further, the interest payable on 7% Treasury Convertible Stock 1997 will be comp from United Kingdom income and, present or future, so long as it is shown that e Stock is in the beneficial owneothip of persons who are not ordinarily resident in a United Kingdom of Great British and Northern Iroland.

12. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income use.

13. Applications for exemption from United Kingdom income use should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lymwood Road. Themes Dinton, Sarrey, RT7 (DD).

appropriate forms may be obtained from the Inspector of Foreign Dividends, Injand Revenue, Lyrwood Road. Themes Dimos, Sarrey, KIT (DP).

14. These exemptions will not enable a person to claim repayment of this deducted from interest unless the claim to such repayment to made within the flow limit provided for such claims unless the claim to such repayment to the made within the flow limit provided for such claims will be outside that the limit provided within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the bateres from any computation for any law, present or funne, of the United Kingdom from the Justice of the profess of the profess of any law, present or funne, of the United Kingdom directed to preventing avoidance of any law, present or funne, of the United Kingdom directed to preventing avoidance of any law, present or funne, of the United Kingdom directed to preventing avoidance of any law, present or funne, of the United Kingdom directed to preventing avoidance of any law, present excluded to reduce the preventing avoidance of any law, present or funne, of the United Kingdom directed to preventing avoidance of any law, present or funne, of the Present from Longone tax Mence, under any such provision, it falls to be treated for the purpose of the Income Tax Acts at income of any person resident or ordinarily resident in the United Kingdom.

15. The issue price of 7% Treasury Convertible Stock Hoppins and Corporation Taxes Act 1980 or a deep gain security for the purposes of Schedule 11 to the Finance Act 1980. In certain circumstances further issues of such Stock could result in all of the Stock, whenever issued, being subject to one of these special regimes. However, it is the insension of the Majesty's Treasury but further issues of the Stock will be conducted so as to prevent say 9% Treasury Stock 2012 issued to meet the exercise of options in puragraph 6 could in Her Majesty's Treasury Stock 1997 is 1904. In and 7% Treasury Con

16. Bits may be made on either a competitive or a non-competitive basis, as set out below, and usust be submitted on the application form published with the prespectus. Each application form must comprise either one competitive bid or one non-competitive bid. Git-edged market makers may make competitive bid or one the Bank of England not later than 10.00 am on Wednesday, 25 May 1994. 17. Application forms angula not mer tunn 1000 and to we issues, 25 May 1994.

18. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 INP to arrive nor later than 18.00 AM ON WEDNESDAY, 25 MAY 1994; we looked by brand at the Central Gate Office, Bank of England, Bank Buildings, 19 Old Jewry, London not issuer than 18.00 AM ON WEDNESDAY, 25 MAY 1994; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3-30 PM ON TUESDAY, 24 MAY 1994. Bids will not be revocable between 10.00 am on Wednesday, 25 May 1994 and 10.00 am on Tuesday, 31 May 1994. 18. COMPETITIVE BIDS

Each competitive bid mass be for one amount and at one price expressed as a markiple of 1/32nd of £1 and mass be for a minimum of £500,000 nominal of Stock and for a miniput of Stock and for a miniput of Stock as follows:

A non-competitive bid must be for not less than £1,000 nominal and not months  $\pm 500,000$  nominal of Stock, and must be for a multiple of £1,000 nominal

(ii) Only one non-competitive bid may be saturalized for the benefit of any one person.

Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate chaque representing FAYMORY AT THE RATE OF 100 FOR EVERY 2150 NOMINAL OF STOCK APPLIED FOR most accompany each non-competitive bld; chaques must be drawn on a bank in, and be payable in, the United Singdom, the Channel Islands or the lake of Man.

The Bank of England reserves the right to reject any non-compensive bid. Non-compensive bids which are accepted will be accepted in full AT A PRICE (the non-compensive sale price) EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE HIDS HAVE BEEN ACCEPTED, he average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF

If the non-competitive sale price is less than £100 per £100 nominal of Stock, the balance of the amount paid will be refunded by cheque despatched by post at the risk of the applicant.

cisk of the applicant.

If the non-competitive sale price is greater than £100 per £100 nominal of Stock applicants whose non-competitive idds are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 soutinal of Stock allocated to them. An applicant from whom a further payment is required will be notified by leave by the Bank of England of the motion of Stock allocated to him and of the further payment due, but such notification will confer to right on the applicants to unaster the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

The Bank of England may sell less than the full amount of the Stock on offer a . The Bank of England may sell less than the full amount of the Stock on offer

the ascrion.

21. Letters of alloament in respect of the Stock sold, being the only focus in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred point to registration, will be despeached by post at the risk of the applicant but the despeach of any letter of alloament, and the refund of any excess amount paid may at the discretion of the Bank of Rughard be withheld mail the applicant's changes has been paid. In the event of such withhelding, the applicant will be notified by lette by the Bank of England of the acceptance of his applicant and of the amount of Stock allocated to him, subject in each case to the payment of this chopue, but such notification will confer no right on the applicant to transfer the Stock so allocated.

22. Mo sale will be made of a less amount that £1,000 anothers of Stock. If a

anomate to him, suspect mean case to the payment of his chaque, but such noninciation will confire no right on the applicant to transfer the Stock so allocated.

22. No sale will be under of a test emount that E1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be readened by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned illustries. Non-payment on presentation of a cheque in proper of any Stock sald will reader such Stock liable to forfeitner. Interest at a rate equal to the Loadon Inter-Bank Offered Rate for seven day deposits its senting ("LIBOR") plus 1% per ensum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the duc date. Such rate will be determined by the Bank of England by reference to market quotatedas, on the date date for such payment, for LIBOR obtained from much source or sources as the Bank of England shall consider appropriate.

23. Lemma of allounces may be split into demonitudes of multiples of £100 on written expenses to the Bank of England, New Issues, Southquie House, Southquie Storet, Gloucester, GL-1 1UW received not later than 9 /me 1994. Such requests must be signed and mast be accompanied by the letters of allocates. Letters of allocates, second-partical to the case of Stock hold for the account of members of the CGO Service registration ford with the effected under separate analogements.

the effected under separate arrangements.

24. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section. C of the application form, request that any Stock sold to him be eredited theyer to his scoopen in the CGO on Thursday, 26 May 1994 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Nismber 2 Account. Fallium in accept such delivery by the deadline for member-to-member delivery from the account. Fallium in accept such delivery by the deadline for member-to-member delivery form the rules of the CGO Service on 26 May 1994 shall for the purposes of this prospectus constitute default in the payment of the immunit payable in respect of the relevant Stock. A member of the CGO Service on 26 May 1994 shall for the purposes of this prospectual constitute default in CGO Service on 25 May 1994 shall for the purposes of this prospectual greatest to the countries of the constitute of the countries of the constitute of all the countries of th

Stock.

25. Application focus and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Glouceser, Cl. I. IUW; at the Central Gilts Office, Bank of England, I Bank Buildings, Princes Street, London, SCZR SEU or at any of the Bank of England; at the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Bellist, BT1 5EN; or at any office of the London Stock, Exchange in the United Kingdom.

Government Statement
Amention is drawn to the statement issued by Her Majesty's Treasury on 29 May
1983 which explained that, in the interest of the orderly conduct of fiscal policy,
acither Her Majesty's Government nor the Bank of England or their respective
tex vants of agents undertake to disclose tex changes decided on but not yet
automated, even where they may specifically affect the terms on which, or the
conditions under which, 7% Treasury Convertible Stock 1997 and 9% Treasury
Stock 2012 are issued or sold by or on behalf of the Government or the Bank;

FOR COMPLIANCE (is for Stock to be purchase Nominal amount of 7% Tream Convertible Stock 1997 applie of Stock applied for FOR COMPETITIVE BIDS ONLY

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1: Sum enclosed (a), being the amount required for payment IN FULL AT THE PRICE BID for every £160 NOMINAL of Stock applied for:

FOR NON-COMPETITIVE BIDS ONLY (is for Stock to be purchased at the non-competitive prospectus) Neurinal amount of 7% Treasury Convertible Stock 1997 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: Sum eaclosed (a), being £100 (b) for every £100 NOMINAL of Stock applied for:

£ 32nds

FOR CGO MEMBERS ONLY CGO PARTICIPANT NUMBER.

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS I'We request that any leaser of alloument in respect of Stock sold metus at the address below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I'We

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I'We warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the CGO. We keerby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant member 5183) by the deadline for such deliveries on 26 May 1994, and we agree that the consideration to be I laput in respect of such delivery shall be the amount newble by us on the sele-

of such Stock in	accordance with the fettis a such derivery shall be the	samount payable by us on the s of the prospectus.
Date	SIGNATURE(S) of, or on behalf of,	applicant
Please use i	BLOCK CAPITALS "	<del></del>
MR/MRS MISS/MS	FORENAME(S) II	PULL SURNAME
FULL POSTAL ADDRESS	<del></del>	<del></del>
TOWN	COUNTY	POSTCODE
NATIONAL SA	VINGS STOCK REGISTI	ER: if you wish the Stock

to be registered on the NATEONAL SAVINGS STOCK REGISTER (for which there is a limit of up to £25,000 nominal of Stock) please tick this box.

A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, shaded within the Town Clearing area, of a sentement member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The procedure for any refund, or further amount payable, is set our in the

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND. APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND.

NEW ISSUES, PO BOX 444, GLOUCESTER, GLI INP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 25 MAY 1994; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 25 MAY 1994; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 24 MAY 1994.

#### Hartlepools Water rises to £1.46m

Hartlepools Water achieved a 20 per cent rise in profits to £1.46m pre-tax for the 12 months ended March 31. Turnover of £5.52m compared with

Earnings worked through at 143p (128p) and a final dividend of 37p makes a 60p (55p) total.

James Smith Ests James Smith Estates, the property investment company, reported pre-tax profits of

£1.57m for the year to March 24. against £1.45m. During the period net assets per share increased from 114p to 129p after taking into account a revaluation and the

£12.4m placing and open offer in March. Turnover fell slightly to £2.35m (£2.39m) resulting from a small number of voids. Recent purchases have increased the rent roll to £3.25m. Profits from sale of

flats on long leases rose from £125,000 to £195,000. As expected, the proposed ings per share of 6.8p (6.3p).

Shirescot Shires High-Yielding Smaller Companies Trust is to more than double in size through a placing and offer for subscription of conversion shares to raise up to £24m, net of

Shirescot, launched in the summer of 1992, is managed by Glasgow Investment Managers; it currently has a market capitalisation of just over £21m.

Williams de Bröe has conditionally agreed to place 10.18m of the C shares at 100p apiece. A further 14.8m C shares are available under the subscription offer, which is not under-

The shares will be converted into ordinary shares by October 14, when one new warrant to subscribe will be issued for every five new ordinary shares arising on conversion.

#### Telemetrix

Telemetrix, the supplier of specialised electronic components, test equipment and services, saw its share price fall 3p to 92p yesterday as the company ed a profit warning. Mr Arthur Walsh, chairman.

told the annual meeting that "although it is expected that second half earnings will be above those for the first half it is unlikely that full year earnings will exceed last year". Last month the company announced that results from its US subsidiary were lower

#### Eaglet Inv Trust

and the shares fell sharply.

Eaglet Investment Trust. which was floated last June, is raising about £8m net in a 1-for-3 rights issue at 113%p per share.

Proceeds of the issue, which fully underwritten by Greig Middleton, will be used to invest in the smaller companies sector.

#### **Baring Stratton**

Baring Stratton Investment Trust, which aims for capital growth through an international portfolio, lifted its net asset value per share by some 17 per cent - from 215.4p to 251.1p - over the 12 months to March 31.

Gross revenue of £876,000 (£960,000) included £814,000 (£926,000) of investment 4.75p (6.75p).

income; a further £106,00 (£72,000) was received in gross scrip dividends and capitalised. Attributable revenue dropped to £363,000 (£427,000),

equivalent to earnings of 2.889 (3.399) per share. The single distribution for the year is

maintained at a proposed 2.29p.

#### Scottish Metro

Scottish Metropolitan Property has acquired eight retail investment properties within the Carlton Highland Hotel, Edinburgh, for £3.75m, at an initial yield of about 8 per cent. The company has also let Kirk House, West Drayton, Middlesex, for 15 years at an annual rental of £160,000 to the

**Worth Inv Trust** Net asset value per ordinary share of Worth Investment Trust declined from 26.73p to

Secretary of State for Health.

22.63p over the 12 months ended March 31. The trust invests predominantly in luxury and design-related businesses in Europe and the decline in asset value reflected the recent sale for FFr17.9m (£2.08m) of Seguin Moreau, the trust's largest

investment Available revenue for the final dividend is 3.1p making a year slipped to £87,000 (0.35p). The single dividend is a same-again 0.1p.

NFC, the logistics and moving services company, has acquired SNT and Arden-Frigor, French chill distribution companies, for a total of FFr34m (24m) plus assumed debt of FFr49.6m.

The acquisitions were made by NFC's French logistics offshoot, Exel Logistics France.

#### Wardle Storeys

Wardle Storeys, the plastics and safety equipment group which makes specialist parachutes, has exchanged contracts for the sale of land referred to in its interim

report The deal - comprising the sale of nine acres adjoining the group's site in Brantham, Suifolk - will generate an exceptional profit of some £1.5m in the second half of this financial year and it is expected that no tax will be payable on the

Wardle will receive £im cash on completion. A further £779,000 is payable on March 27

#### **Prospect Industries**

Prospect Industries, which provides specialist engineering services to the power generating and process industries, has revealed that it has won new contracts worth about 212.4m. Contracts in the UK include repacking work for British Nuclear Fuels at Calderhall and Chapel Cross and for National Power at Drax. Other contracts were in Thailand and

New Throgmorton New Throgmorton Trust (1983).

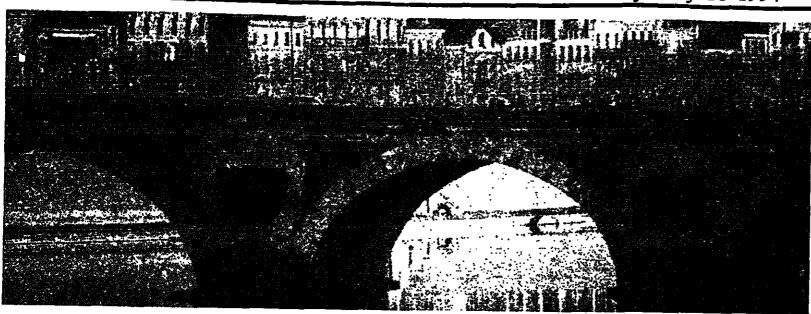
the split capital investment trust, reported increased net asset values over the year to March 31. The figure for the capital

shares with prior charges at par was 179.2p, against 164.4p. The fully diluted value was 171.3p (133.9p). Lower dividend income contributed to a fall in net revenue

to £1.85m (£2.15m) for earnings per income share of 4.72p (5.48p). The proposed final dividend is cut from 2.25p to 0.25p leav-ing the total for the year at in the second

# TOULOUSE AND THE MIDI-PYRENEES

Wednesday May 18 1994

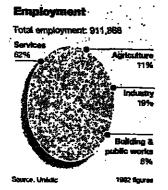


# Technology for a second take-off

Diversification and broader regional development are the challenges facing Toulouse and the Midi-Pyrénées, writes John Ridding, introducing this three-page survey of France's biggest region

oldest university cities, has bet its future on brain power. So far, the bet has paid dividends. Since the 1960s, the capital city of the Midi-Pyrénées has confirmed its position as a centre of high technology manufacturing and France's second university city and research centre. From Aérospatiale to Alcatel and from Motorola to Matra Marconi, many leading French and international groups have put down roots in the city and its environs.

They have done so partly because of the policies of the government in Paris, which has sought to reverse the concentration of economic activity in the capital. The decision in the 1960s to locate France's space and aeronautics research centres in Toulouse, followed by the later transfer of engineering schools and state-



owned industry, laid the foundation for private sector investment in aerospace, electronics

and related sectors.

Spared the burden of declining smokestack industries and blessed with an enticing environment, the city has proved a magnet for many of the leading

industries of the next century. But the success of the Toulouse experiment is not yet secure. Recession has shaken the aerospace sector and many of the city's other main industries, applying the brakes to its headlong expansion over the past three decades. Beyond the city limits, it is a similar story. From Tarbes, near the border with Spain, to Rodez in the north-east, the Midi-Pyrénées, France's largest region, is being forced to adjust to the harsher economic environment that is confronting traditional

industry and agriculture. The continued development of Toulouse now depends on the strategies being employed to ensure a rebound from recession. Equally important is the need to redress an imbalance between the development of the city and the rest of the region. "Our biggest problem is a problem of two worlds," says Mr Robert Marconis, professor of geography at Toulouse University. "Growth has not been diffused from Toulouse in the

way that had been expected." On the first count, the rebound from recession, Toulouse officials are confident. Mr Dominique Baudis, the mayor. points out that the decline in the aerospace sector, one of the city's largest employers, is a cyclical rather than a structural phenomenon. He believes, along with the management of Aérospatiale and Airbus, that recovery in the sector should be under way by

More important, perhaps, is Mr Baudis' argument that the Toulouse economy is increasingly less dependent on the acrospace sector. "Aerospace is an important engine for the economy," he says, "But we have a powerful electronics industry and have seen a promising diversification into new activities such as medical equipment and biotechnology."

Toulouse should also continue to benefit from an inflow of foreign investment. Storagetek, the US data storage group, is the most recent arrival and has pushed the number of foreign investors to almost 300 since Motorola built its first European plant in the city in 1967. Like many other international investors, Storagetek says it was drawn by the close links between industry and research centres such as Laas, the robotics and automation

The strength of Toulouse's research base is vital. Not only does it draw investment from existing companies, it encourages the creation of indigenous small and medium-sized businesses. Mr Jean-Pierre Gilly, director of Lerep, the economic research institute, says that a number of new companies have sprung up around the larger aeronautic groups. The process has been stunted by recession and the region's relatively weak venture capital base. But it provides a source

For Mr Baudis, the research and technology base in Toulouse is also essential to compete with rival European business centres, from Montpellier to Milan. "If you look at European cities we are 50th in terms of size. Our strategy has to be to create a pool of excel-lence," he says. "We are in a difficult part of the cycle, but there is much more future in high technology and aerospace than in steel or cars.

If Toulouse has the capacity to rebound with a more diversified and high technology industrial base, however, the problems facing the rest of the Midi-Pyrénées are more complex. "The key problem at the moment is how to make the rest of the region dynamic," says Mr Marconis of Toulouse

For many officials in towns outside Tonlouse, the rise of the regional capital has led to a concentration of resources and a vexing imbalance. "We need to have a more equal growth." says Mr Raymond Erraçaret, the pragmatic Communist mayor of Tarbes, and a critic of what he calls "Toulousain imperialism".

Tarbes, like other towns in

Guace d	omestic
aloss a	ひいたシロケ
product	(EEs ma)
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product (FFr m)							
Year	Region	France					
1987	187,790	5,336,652					
1988	199,978	5,735,092					
1989	222,929	6,159,080					
1990	235,549	6,491,977					
GDP pe	r capita (in	FFr)					

the Midi-Pyrénées, is attempting to adjust to the pressures facing traditional industry. Giat, the arms manufacturer, is just one example of an important local employer that is cutting jobs and reducing production. In Albi, to the north-east of Toulouse, the challenge is to replace the jobs and subcontractors removed by the decline of the mining

sector. In most cases, the strategies being pursued are bearing fruit. Adirac, a public and private sector association which promotes industrial development in Albi, has created more than 2,000 jobs, partly through the support of a venture capi-tal fund which targets small and medium-sized industry. The development of its tourist sector, a growth area for all of the region, has also strengthened Albi's resilience, while the transfer of some faculties from Toulouse University. including materials research. should encourage industrial

investment. How far such transfers should go is a hotly debated topic. There is an important

gap and we should reduce it," says Mr Baudis, referring to the imbalance between Toulouse and other regional cities.

But for him, as for most observers, the solution lies in providing the means for neighbouring towns to share in the growth of Toulouse rather than depriving the regional capital of resources. This could be facilitated, for example, through an improvement in

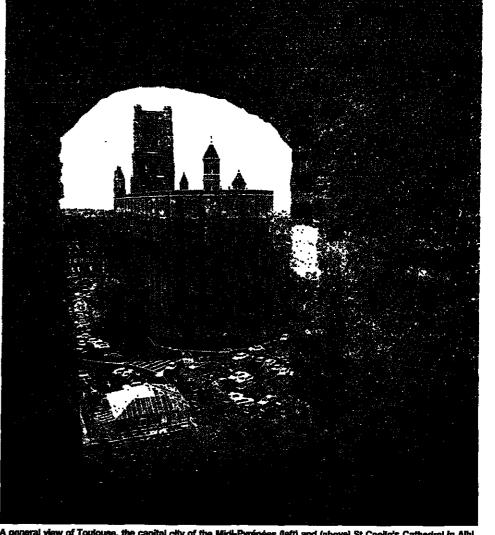
communications and transport networks. The recently completed autoroutes to Albi and Tarbes are examples of this

For Mr Baudis, there is a need to go further. In particular, he sees the potential for a high-speed railway link, bypassing Bordeaux on its way from northern France and heading on to Narbonne and Barcelona. Such a project



would strengthen the close economic and social links with Spain and present Toulouse as the crossroads between northern Europe and the Therian peninsula. Plans have long

Continued on next page



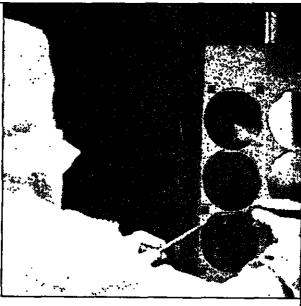
A general view of Toulouse, the capital city of the Mid-Pyrénées (left) and (above) St Cecile's Cathedral in Albi a town with a growing tourist sector





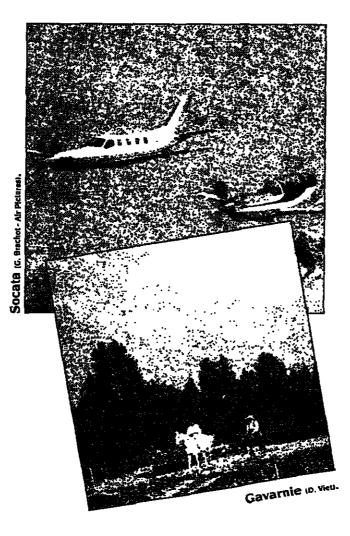


Armagnac (D. Viet),



Motorola.

# TOULOUSE MIDI-PYRENEES **MEANS**



SOUTHERN EUROPE IS JUST TWO HOURS the cities of Toulouse, Tarbes and Albi The suc-FROM LONDON BY AIR

Toulouse Midi-Pyrenees, the largest region in France. is a gateway to Spain. The region is linked to the European super-highway network Two international airports (Toulouse-Blagnac and Tarbes-Ossun-Lourdes) put the region within a few hours of the other economic capitals of Europe. The region is a meeting place for students, researchers and executives from every country. International events such as the SITEF (International Market for Advanced Technologies) and the FAUST (International Forum linking Technology and the Arts) confirm our world class appeal, as do the International High School and daily trade between the region and companies throughout the globe. Toulouse Midi-Pyrenees has staked its future on internationalism.

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Toulouse Midi-Pyrences is betting on sunergism with

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cess rate for the Baccalaureal exam here is 81 3% compared to the national average of 75.5% (1993) University annexes, University Technology Institutes or advanced technical certificate programs exist in most of the medium sized towns (Albi, Auch, Castres, Figeac, Montauban, Rodez and

Toulouse Midi-Purcnees is a storehouse of talent

PRIVILEGED LINKS WITH GREAT-BRITAIN -

284 foreign companies have chosen to locate in Toulouse Midi-Pyrenees Major groups among these include Siemens, Bosch, Motorola and StorageTek. They are backed up by innovative small and medium sized companies such as Positronic (US) in the city of Auch and WM Corporation (Swit) in Bagnères-de-Bigorre.

With fifty-one firms, Great-Britain is the second most important investor here, after the US. British firms located here include British Aerospace. Grand Metropolitan and GEC Alsthom

As students, investors or scientists engineers involved in aerospace or other businesses. Some 5,000 British national: reside in Toulouse Midi-

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identity, politics and culture. That much is apparent even from a cursory study of three of the region's largest towns. Toulouse has a right-wing mayor, a developed high-tech industrial base and covers an area almost as large as Paris. Albi. with its picturesque town centre built around a magnificent Gothic cathedral, has a socialist mayor and an industrial tradition in mining and metallurgy. Tarbes, with its Communist mayor, is less picturesque. But it is nestled at the foot of the Pyrenees, close to Spain, with which it enjoys close cultural and social con-

Such diversity is hardly surprising given the size of the Midi-Pyrénées region and the conflicting pressures and attractions to which it has been subjected over the ages. But there is also a common thread behind the development of Tarbes, Albi and Toulouse. All have been shaped to a cerDespite their differences, all face similar challenges

# A tale of three cities

tain extent by their relationship with the French state and their strategic importance. The proximity of Tarbes to

the Spanish border, for example, explains its role as a traditional arsenal town. It is still home to substantial defence industries, such as GIAT, a manufacturer of tanks and armaments. Albi, one of the strongholds of the Cathar religious movement in the early centuries of the millennium, became a focus of the struggle between central power and regional sentiment. The cathedral, built like a fortress to impress the strength of church and state on the surrounding region, stands as testimony to the tradition of local identity.

Toulouse, itself one of the most important power bases outside Paris for much of French history, represents a more modern example of the relationship between the French state and the regions. Through the policies of Datar, the state organisation for regional development, it has become one of France's most successful cases of decentralis-

Tota	al popul	ation	i	n thou	sands	;
	1985	198	7	1989	1990	1993
MicE-Pyrénées France	2,346.9 55,061	2,362 55,50		2,385.6 54,334.9	2,430.7 56,614.5	2,475 57,527
City	Population (	1990)		habitants er sq km		ity by ement
Toulouse Tarbes ABI Montauban Rodez Auch Cahors Pamiers	650,336 74,636 62,182 51,224 39,011 23,135 20,000 17,000	2 5 1		1,052 1,015 650 379 550 319 305 283		47 50 50 54 31 28 90 28
* per squitre kllome	ire .	<u>-</u>	_			rce: PASEEE

ation. Its high technology industries in aeronautics and space have been built around the universities and research centres removed to the city in successive stages since the

military barracks" says Mr Hubert Gallais, head of development at Adirac, the agency Despite the separate historicharged with encouraging local cal and economic traditions, all investment. "But we are rebounding. We have created 2,000 industrial jobs through three cities face a common challenge of adjustment. The closure of much of the coalour policy of conversion." mining industry in Albi-Car-In Tarbes, the economic maux has forced the city to downturn has been felt



Tarbes: seeking to adjust to pressures facing its largest employers

through the city's largest employers. GIAT, for example. has shed jobs as a result of reduced defence expenditure in France and abroad. "First we have to save the big groups," says Mr Raymond Erracaret, mayor of Tarbes. "But we also need to restructure the

regional economy."
In Toulouse, the problems are possibly less severe. The strength of its high-tech industrial base means the economic downturn is cyclical rather than structural. But it is faced with the need to diversify its production and its markets. The problems of adjustment bring occasional friction

between the cities of the Midi-Pyrénées. Mr Erraçaret, mayor of Tarbes, for example, criti-

cises the "Toulousaine imperialism" which has seen the regional capital expand much more rapidly than the rest of the region. "Developme been too centred on Toulouse", says Mr Michel Castel, his counterpart in Albi.

the case of Tarbes, the physical distance from Toulouse is prompting closer links with neighbouring cities. In particular, Mr Erracaret sees the potential for economic and social co-operation with Pau, which is in the neighbouring Aquitaine region, and Lourdes, the nearest town in the Haute-Pyrenees department. An agreement to share hospital resources could represent the first step in the creation of a "Pyrenean Metro-

But there is also pressure to integrate more closely the principal towns of the Midi-Pyrénées region. "We have to extend regional links," says Mr Dominique Baudis, mayor of Toulouse. "There is an important gap between Toulouse and the rest of the region and we should reduce it," he says. He adds, however, that this should not involve curbing the devel-opment of Toulouse, but rather the development of communications and commercial links with the other towns.

This process is already under way. In addition to the construction of auto-routes, the towns co-operate in attracting foreign investment. Agreements between metropolitan Toulouse, which promotes investment in the city, and BRIA (the regional development agency) mean, for example, that potential investors are

offered sites in Toulouse and the outlying areas. In education, some of the department of Toulouse University have been relocated to regional cities such as Albi. Although at an early stage, this should allow a repeat of the experience in Toulouse, where industry has been attracted by the educational

and research base. Political affiliations do not appear to present an obstacle to increased regional integra-tion. Mr Castel's light pink shirt reflects his moderate ideology. Mr Erraçaret, like many Communists in the region, comes from a tradition of pragmatism rather than polemics. "I don't think party politics makes a difference in regional

development," he says.

Nonetheless, it is regarded as a vital issue. For many observers it is the most important challenge facing the Midi-Pyré-nées. "We have a situation of two worlds - Toulouse and the rest of the region," says Mr Robert Marconis, profe geography at Toulouse-Mirail university. "It is important to create a more balanced growth."

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#### INDUSTRIAL LOCATION

# Education and research bring in the foreign investor

Take a drive around Toulouse and the importance of foreign investment to the local economy quickly becomes apparent. From Siemens of Germany to Sony of Japan and Motorola of the US, many of the world's largest business groups have their names on manufacturing or research centres in the city and its environs.

It is a similar story in the region as a whole. A total of 284 foreign companies, in manufacturing and services, have invested in the Midi-Pyrénées - from agricultural groups in the Haute Garonne department to automobile components in Aveyron. Foreign companies now account for almost 30 per cent of the region's industrial investment and about 24 per cent of its industrial workforce.

Such a substantial presence is explained by several factors. in Toulouse particularly, much of the attraction lies in the strong education and research base which is avail-

human resources at Storagetek, the most recent foreign investor in Toulouse, says that it took just six weeks to find the six engineers needed for the data storage group's initial product line.

According to Ms de Villou-

treys, the US group decided on Toulouse as an investment location after a three-year study of 27 sites in nine countries. In addition to the skilled workforce in Toulouse, she says the links with research institutes were an important factor in the final decision. In March, the company signed contracts with two engineer ing and science institutes to work on their robot and data Similar arguments are

expressed at Motorola, the first foreign electronics group to make a significant investment in the region. "We have always had a close relationship with the research centres here," says Mr Robert Aschieri, chairman of Motode Villoutreys, director of ple the development of high ment also reflects an aggres-

efficiency switching systems for electric lights. Motorola has expanded

steadily in Toulouse since its first factory was built in 1967. It has added higher value added semiconductors to its product range from the site and is now planning to build a pure research laboratory for advanced chip technologies.

The scale of foreign investment which has flowed into the area since Motorola put

Emphasis on the operating environment, rather than on financial incentives

down its roots is partly the result of a "coat-tails" effect. "It was encouraging for us that Motorola was here," says Ms de Villoutreys of Storagetek. She adds that many of the company's customers, including Aérospatiale and Meteo France, the meteorological agency, are located in the city. sive search by local authorities. The search has been strengthened since 1988 when Mr Dominique Baudis, the mayor, established Metropolitan Toulouse, an agency charged with promoting investment in the city and its environs. The organisation has joined forces with BRIA, the regional development body, with which it co-operates to secure foreign investment throughout the Midi-Pyrénées.

look to new investment and a

more diversified industrial

base. "The area has been hit by

the closure of mines and of a

Foreign companies are offered a number of sites in the region, says Mr Jean Barcellini, head of Metropolitan Toulouse. "Some may be attracted to Toulouse because of its strength in R&D, but others may have reasons, such as costs, to be in the countryside or near one of the other towns." For instance, Storage tek was shown sites in Albi and Montauban before deciding on the regional capital. Mr Barcellini says his organ-

isation has helped draw about 20 companies to the area since 1988. He is currently inv in advanced negotiations with nine potential investors, five from the electronics sector. and two each from the aerospace and medical fields.

The challenge, he admits, has become tougher. Increased competition from other regions in France and from abroad has coincided with the impact of recession to reduce the potential candidates and increase the number and quality of offers they receive. "Yes, it is harder, so we have to concentrate on our strengths," says Mr Barcellini.

For Toulouse this means an emphasis on the operating environment, rather than on financial incentives which can be offered to prospective investors. "In the region we can offer financial support, but in Toulouse this is relatively limited," says Mr Barcellini. "Our advantage is the infrastructure we possess, in terms of communication and in terms of science and research."

Such factors should continue to work to the benefit of Toulouse and the Midi-Pyrénées. The trend of foreign investment is shifting away from low-cost labour sites towards what Mr Barcellini describes as "low brain cost delocalisation". France's second largest university town, and one of its principal centres of high-tech research, should therefore retain a sharp edge in the competition for foreign capital.

r Dominique Baudis. mayor of Toulouse, quality rather than quantity.
"It is not my vision for the city
to grow to millions of people,"
he says. "What I want is to create a pole of excellence, not a gigantic town."

It is a strategy which, so far, has worked rather smoothly. Although only Europe's 50th city in terms of population size, Toulouse has drawn some of the biggest names in leading edge industries. Airbus, Aerospatiale and Motorola are just some of the companies which, drawn by the city's strength in research and development. have established headquarters or substantial operations there. But Toulouse has not been spared a bout of the turbulence

which has shaken France in the past few years. "Like every town, we have been hit by the crisis. Since 1991, we have lost iohs." savs Mr Baudis, pointing out that the unemployment rate has risen to the national average of just over 12 per cent of the workforce.

In Toulouse, the downturn has been exacerbated by the depression in the international aerospace industry. Mr Baudis describes the sector as the "engine of the economy", but reiects criticism that it is too dominant in the city's economic structure.

"It is fashionable to say that we are too concentra aerospace. But even today we produce 15 aircraft a month compared with seven 10 years ago," he says. "In 1995 to 1997 we will see another increase. he predicts, adding that, unlike steel or cars, the problems afflicting aerospace are cyclical rather than structural.

Mr Baudis is also keen to emphasise that Toulouse is not a one-industry town. He points to the rapidly growing electronics sector, the rise in bio-technology industries and the importance of service activities to demonstrate the degree of diversity in the local economy. We are the second centre in France for software development," he says, citing the decision by Storagetek of the US to site a large operation there.

The arrival of the US group is the latest step in a familia pattern. Much of the rise of Toulouse, from industrial backwater to high-tech manufacturing centre, can be explained by its ability to attract capital from the rest of France or abroad. France Meteo, the meteorological institute, and Air France are just two of the scalps collected by Toulouse over the past year in its drive for inward investment. To maintain the process. Mr Baudis sees a need for "balanced development" - the promotion of cultural, scientific and urban projects to strengthen what he calls the "quality of life aspect" of Toulouse.

#### **Profile: DOMINIQUE BAUDIS OF TOULOUSE**

# The mayor's strategy



Dominique Baudis: hops for high

Such "balanced development" allows Mr Baudis to aim for several targets at once. The urban renovation projects also provide a Keynesian boost to the economy to help it through its current problems. "We are working now to intervene to support economic activity by big investment projects," says Mr Baudis, citing the decision to bring forward the FFr3bn project to construct the second line of the city's metro.

Fiscal stimulus, however, is not to be achieved at the dis has reduced the city's debts the regional rallway network. on Europe's economic map.

advanced technology.

from FFr2.9bn five years ago to about FFr600m today. This has been achieved despite a policy of maintaining local taxes at their current rate for the past six years - a strategy regarded as necessary to encourage corporate investment.

The future prospects of the city, however, need a broader perspective than its budget situation and the list of public works under way. Critics of the development of Toulouse, and there are many in the city's universities, believe that it remains an artificial creation. built through the decentralisation of research centres and industry and lacking deep roots in the surrounding region. The criticism is repeated by representatives of neighbouring towns who say the region's economy is dangerously centred on Toulouse. Mr Baudis accepts that more

must be done to increase economic links with the rest of the region. "There is an important gap and we must reduce it." He says the construction of autoroutes from Toulouse to Albi and Tarbes is a step in the right direction and should be

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effectiveness and impact as a meeting place and business center.

He points out, however, that the development of Toulouse is in the interests of the neighbouring cities. "There are many indirect effects," he says, adding that he favours the growth of regional centres, rather than curbs on Toulouse. The need for extended com-

munications, however, spreads well beyond the neighbouring towns of the Midi-Pyrénées. Of particular significance is the development of commercial and social ties with Spain. Various initiatives are under

way. The C6, for example, which groups Toulouse, Montpellier, Barcelona, Saragoza, Palma-Majorca and Valencia, is designed to promote economic co-operation among these cities. For Mr Baudis, the main target is Barcelona, which he describes as the "motor of Spain." He hopes for a high speed train link which will bypass Bordeaux from northern France on its way to Toulouse and down to Barcelona.

Given the financial situation of SNCF, the French railways system, such a project is not likely in the near term. But once built, it would put Mr

#### Playing to the world...

Two hundred years ago, in a sleepy provincial rown of south-west France, Adam Smith began work on The Wealth of Nations. "An island of architectural and cultural delights in a sea of corn-fields and gently undulating valleys" was how bed this historically fascinating but economically backwatered

Today, Toulouse is the fourth largest city in France.

The town's spectacular economic expansion has made it one of France's leading centers of high-tech production and research, and the hub of Europe's aerospace industries—every twenty seconds, somewhere in the world an aircraft assembled in Toulouse takes off or lands, while nearly half the world's satellites are put into orbit by a launcher designed and control-led by Toulouse-based teams.

The city has the second biggest French campus, producing 6000 technicians and engineers every year. It is also France's electronics and robotics centre, the country's second software pro-ducer and third biotechnology pole. Yet the city's best known ambassadaor is probably its national orchestra.

...on a human scale. International companies set up here because of the reservoir of

human and high-rech talent, and because there's room; they end up staying for the arr de vivre—city leaders have long recognised that quality of life sustains the economy. The new VAL metro has made mass transit a joy to ride, putting the Rennaissance city centre's monuments shops and cultural activities within walking distance of all.

Toulouse welcomes those who think global, and wish to work and live to build tomorrow's generation of engineers... or





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# **Technology**

Continued from previous page

been on the drawing board for such a project, but are unlikely to be realised in the next 10 to

Of more immediate concern for many of the inhabitants of the region are the problems afflicting the agricultural sector. The biggest imbalance, however, lies between the towns and the countryside. The effects of the European Union's common agricultural policy and the production cuts demanded by the Uruguay Round of international trade negotiations have added to the hardships of the farming community and fuelled the long-term trend of rural exodus. Mr Etienne Lapeze, vice-president of the FNSEA. the agricultural workers' organisation, estimates that

10,000 of the region's 80.000 farms could disappear as a result of the CAP and Gatt.

The impact on the Midi-Pyrénées has been particularly hard because of the lack of agricultural processing industry in the region. "We are mainly primary producers in areas such as cereals and oil products," says Mr Lapeze. "It is vital that we invest more in agriculture."

Also important, he argues, is the need to extend production in new sectors. He cites the seeds industry as one important area of development for the agricultural sector. Without such investment and the introduction of higher value added agro-industries, the gap between town and country, and particularly between the agrarian economy and Toul-

#### Midi-Pyrenees... The Heart of South West France

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#### TOULOUSE AND THE MIDI-PYRENEES 3

he recession which has blighted the French economy since the end of 1992 has not spared the Midi-Pyrénées. In Toulouse, as elsewhere in the region, unemployment has risen to the national average of just over 12 per cent as contraction in the international aerospace industry has compounded the pressures facing traditional textiles, mining

and agricultural industries. But just as the region surrounding Toulouse retains a sense of cultural and political autonomy - stemming from its historical role as a powerful and distant provincial city - so its economy possesses its own peculiarities. Its strength in high technology, for example, suggests that the economy's foundations may not be as badly shaken as cities elsewhere and that Toulouse and the Midi-Pyrénées may be better placed to resume expansion once the economic environment improves.

The particular nature of the local economy is reflected in its employment trends. Mr Robert Marconis, an expert in regional development at the University of Toulouse Mirail, describes the rise of jobles-

sness in the city and its environs as "the unemployment of growth"

Unilke northern France, he argues, where jobs have been lost through large-scale redundancies, Toulouse has continued to create employment and has drawn economic migrants to the regional capital. Between 1982 and 1990, for example, the population of the city and its environs swelled by about 100,000 - partly as a result of people from outside seeking job opportunities in the area.

A second, equally important characteristic of the regional

The foundations may not be as badly shaken as in cities elsewhere

economy is the importance of cyclical rather than structural ns in its industries. A ase in point is the aerospace industry which, with Aérospa-tiale, Airbus and a host of subcontractors is one of the most important manufacturing sectors in the region.

When the international aerospace industry sneezes, ToulThe region is suffering the 'unemployment of growth'

# Test of economic strength

ouse and its environs - with more than 30,000 employees in the sector - catch cold. The deep chill which has afflicted aircraft orders over the past few years has had a significant effect. Aérospatiale, for example, plans to reduce staff in the region by between 700 and 800 this year in response to declining orders and losses of FF13.8bn in 1992 and 1993.

But the problems facing the aerospace sector are likely to prove temporary. "We have seen the worst of the downturn and we can expect recovery sometime between 1996 and 1997," says Mr Bernard Keller, director of communications at Aérospatiale and a member of the regional development com-

The resistance of the Toulouse economy has also been helped by a nascent, if growing, diversification. The electronics and software industries have established themselves in Minerita, coremita, etc ... 6%

the region, while the biotechnology and pharmaceuticals sectors are currently expanding in Toulouse and nearby. For the region's older indus tries, however, the situation is more difficult. Textiles have been hit hard by the impact of cheap imports, notably from Asia, although Mr Jean-Pierre

Gilly a research director at

LEREP. the economics research centre, argues that many companies have been able to fight back through the introduction of higher value added products and relatively high productivity.

In mining and metallurgy, the downturn has been less equivocal. Over the past 20 years, the mines in the AlbiCarmaux area have seen employment fall from almost 7,000 to about 300 today. The depressed aluminium market and the removal of the price advantage of hydro-electricity following the establishment of nationwide energy prices by Electricité de France, have raised a serious question mark over the regional operations of Pechiney, the state-owned aluminium group.

In areas with declining tradi-tional industries, the response has been to diversify and to implement policies of reconver sion. In Albi, for example, Adirac, a development organisation which groups local government and industry bodies, has created 2,000 jobs over the past nine years. It has done so partly through Sofirem, a venture capital organisation, which has provided funding to local companies.

Albi, unlike much of the the Midi-Pyrénées, has the benefit of an industrial tradition. Elsewhere, the lack of an entrepreneurial or industrial background represents an obstacle to the creation of new enterprises. "We never had an industrial bourgeoisie here compared with some other cities such as Lyon," says Mr Marconis. He says the region remained on the margins of the industrial revolution in the 19th century, partly because of the tendency of the dominant landed classes to invest in

property and real estate. The result has been that much of the region's industry has been imposed from outside,

Much of the region's industry has been imposed from outside

often as the result of the transfer of research and infrastructure by the state. Again, the aerospace and aeronautics industry provide a case in point. President de Gaulle's decision to move the top engineering and pilot training schools to Toulouse and the establishment of the CNES aeronautics centre there in the

1960s provided a hub for the sector's expansion.

There are increasing signs however, of spontaneous local husiness development. The strength of scientific and research institutes has prompted the creation of a number of small companies working either as sub-contractors or niche players in the aerospace, electronics and biotechnology sectors. Mr Gilly scribes the development of a "tissue of small and mediumsized companies" in the electronics and aerospace field, citing the example of Verilog. which specialises in computer

systems for satellites. The pace of this development has been slowed by recession. In several cases, such as Verilog, the lack of capital has resulted in acquisition by larger groups. But most industrialists in the region believe the process will regain momentum once the economy shows evidence of recovery. Here too. there are encouraging signs. Insee, the national statistics office in Paris, argues that France is now emerging, if gradually, from its malaise. As it does so, Toulouse appears well placed to benefit.

#### AGRICULTURE

## Little farms and little industry

Toulouse and the industrial towns of Tarbes, Albi, and Rodez lies a vast rural region bigger than Belgium or the Netherlands. A world apart from the space research and electronics design conducted in the regional capital, it has its own economic structure and

its own concerns. Over the past few years, these concerns have become more pressing. Mr Etienne Lapeze, president of the regional agricultural industry federation, cites a lengthy list of problems, from rural migration to the effects of Europe's common agricultural policy and the impact of cheap imports. He believes that the challenges can be overcome. but not without significant

At the root of the various problems lie some traditional weaknesses in the region's agricultural sector. Despite steady growth in recent years, farms in the

Midi-Pyrénées

are relatively small - 51 per to garlic, producers are cent are less than 50 acres and only 13 per

a result, investments to on higher value. This is partly productivity or irrie tion have been constrained.

More seriously, the region suffers from a relative lack of agricultural industry. "We have a huge agricultural region but a weak processing base," says Mr Georges Bories of INRI, the agricultural research institute. "Much of the raw materials are shipped elsewhere for treatment."

Such weaknesses have been compounded by the liberalisation of the French agricultural market - a result of the CAP and the Gatt accords concluded last year after much protest from French farmers, particularly in south-west France.

The effects, says Mr Lapeze have been severe. In addition to the reduction in prices for agricultural products such as cereals and oil seeds, he argues that the measures have penalised farmers who invested to make their land more productive. To illustrate the point, he cites the case of a farmer who produces three tonnes of cereal per hectare and another who produces just one tonne. With the fall in prices per tonne from FFr3 to FFr0.90, resulting from liberalisation, and with a subsidy of FFr3,000 per farmer, it is the more efficient pro-

ducer who suffers. For Mr Lapeze, Gatt negotia tions have brought few benefits to offset such costs. "Catt has weakened rather than strengthened the rules of agri-cultural trade," he says, adding that factors such as social protection must be taken into account. The impact of Chilean apple imports, for example, argues, if there were international rules to safeguard working conditions and social protection there. To counter these challenges,

the region's agricultural organisations have embarked on strategies of diversification and a focus on increasing the value of production in the sector. One example is the seeds industry, which has seen considerable development in production and research. Large companies in the sector, such as Rustica and France-Mais. have established bases in the region and are working with local research institutes to develop the sector. Successes include resistant and high yield seeds for maize, which have seen strong demand from French farmers.

"It is a sector which is very important for the future," says "Mr Bories. "It has a high value added content and the Midi-Pyrénées has already established a strong

base

research and

Traditional

From Roquefort cheese seeking brand identities

products are sleo heing cent bigger than 124 acres. As steered towards an emphasis introduction of labelling and the establishment of brand image. From Roquefort cheese to garlic, cassoulet and beef, local producers are seeking to establish brand identities. "If you can distinguish yourself from other products, then you can establish an image of quality," says one farmer. "This brings protection against com-

petitors and falling prices."

The biggest potential for value-added production. however. lies in the creation of large agro-industrial groups in the region. To encourage the process, the region's agricultural co-operatives and agro-industrial groups have formed a joint body, called Promia, to help develop links between research organisations and the public and financial sectors. "The resources are present," says one Promia member, "but we have to strengthen our

areas like branding."

The success of such initiatives will determine whether the agricultural sector can resist the increasing pressures it faces. Mr Lapeze estimates that the region's 80,000 farms will fall to 60,000 as a result of demographic trends - in particular, the ageing of the rural population. A further 10,000 farms could be threatened by the impact of Gatt and the common agricultural policy. But he is optimistic. "We have a resilient culture and some formidable trumps," he says. "A focus on quality and investment should allow us to keep many of these jobs."

#### Brain, not brawn, is the key to the future In terms of people, the infrastruc-ture is already there. Figures trip off the tongues of Tonlouse enth

cellulose and used as a thickening agent in paints. This was established at an agri-industries laboratory in Toulouse where scientific work is taking place in an effort to breathe new life into the harassed agricultural sector.

Every year students arrive at the design centre of Aérospatiale-Avions, where the Airbus is assembled, and take part in research projects, while Aérospatiale engineers provide tuition at the two graduate engineertng schools, the grandes ecoles, with which it maintains close relations.

Pierre Fabre, the second largest privately-owned pharmaceuticals group in France, will by the end of this year establish an international centre to study skin ageing at one of the Toulouse university hospitals. These links between the academic and research world, on one hand, and

The nearer the idea gets to the marketplace, the greater will be the private sector's interest

industry, on the other, point to the broad economic and scientific policy espoused by national, regional and local government and paid at least lip service by the private sector.

This policy is to assure econ growth and sharpen an international commercial edge by creating a clus-ter of industries and academic institutions, where each feeds off the other and the future is brain, not nearly 90,000 university students. four universities, 10 graduate engi-neering schools in and around, about 350 research laboratories, about 11,500 research workers, 10,000 jobs

created a year and so on. But in terms of securing a future through growth, the policy is unproven. Recession has shown no mercy. Unemployment in Toulouse has not been less than the national

What is clear, however, is the paramount role of the public sector. Of the 11,500 research workers, the private sector, according to official figures, employs just 1,500. Most of the university laboratories are supported either by the National Centre for Scientific Research (CNRS) and the National Institute for Health and fedical Research, both state bodies. CNRS officials note that it directly

manages 20 laboratories in Toulouse

and is in association with 40 others.

Not that there is anything surprising

this. The scientific research the laboratories undertake will have a commercial application only in 10 or 12 years' time. "In a public laboratory we must be creative." says Mr Gerard Goma, who runs a biochemical and food engineering laboratory. Such creativity is now spinning off into joint research ventures between the public sector institutions and Matra on space computing. Alcatel on multimedia communication. Technofan on turbomachine acquetics and



Fabre is France's second largest privately owned pharamaceuticals group Thinny standard

Such joint activity is more widely practised in the Midi-Pyrénées region than anywhere else in France. Clearly, the nearer the scientific idea gets to the marketplace, the greater will be the interest of the private

Paul Cheeseright examines the region's academic-industrial nexus

Rut in some cases relations between the public sector scientists and industry are bound to be difficult. Mr Michel Wright, research director of a pharmacology and toxicology centre, says that as a public laboratory, it has to publish its results, but this is unacceptable to pharmaceutical companies, the main potential clients for its work.

the pharmaceutical industry is to provide them with complementary results, exploring along the lines of their own interests," Mr Wright says. More generally, the classic form of contact between a company and a

laboratory is the research contract, where, in effect, companies are using the expertise of state institutions to undertake work which they cannot. or are unwilling, to do themselves. The extent to which this is taking place is difficult to gauge precisely. Mr Alain Costes, director of the centre for automation and systems analvsis calculates that 220 such contracts are signed each year in

claim 700 or 1,000 contracts a year.
Of these contracts, 70 per cent are signed by companies employing 500 or more people, suggesting that in France, as in the UK, there remains the perennial economic problem of how to raise the technological levels of smaller companies.

Technology transfer in Toulouse is seen largely as a question of bringing companies and the broad scaden sector into collaboration. Specialists in this area acknowledge that little has so far been achieved in spreading expertise into small manufacturing

Mr Costes has tried to solve this em by setting up affiliate clubs whereby his institution can reach small companies via large companies that already have relations with the laboratory and sub-contracting arrangements, and via colleges, lower down the academic strata, with which small companies are more likely to have contact.

Smaller companies probably are most likely to be drawn into the industrial-academic nexus through larger groups, as assemblers, like Aérospatiale, redefine their relations with component suppliers and their sub-contractors. The overriding demand for quality and safety in the finished product creates its own demand for higher technology.

In Toulouse, it is acknowledged that there is a lot to learn and deep cultural divides to cross. As one businessman noted of the academics, they are very good at devising products and coming up with ideas, but they

The region's top sport derives from Great Britain

# Where rugby is rife

everyone."

The taxi driver from Castres is silent as he steers his Renault along the road to Toulouse. Silent, that is, until mention of the word rugby. "Thousands of us went to Paris for the championship final last year," he says proudly, before launching into a scrum-by-tackle analysis of the victory over Grenoble.

It is a familiar topic in the Midi-Pyranees. Mr Michel Castel, the mayor of Albi, becomes visibly excited when the sport crops up in conversation. From then on, investment strategies and the prospects of his Socialist party are described in terms activities in processing and in of teamwork, tries and conversions. Professor Rémy Pech of Toulouse-Mirail University, author of a book on the history of rugby, is similarly animated by the subject. A former player himself, he describes how his father would cycle 150km from Narbonne to watch the

regional final in Toulouse. Such a common enthusiasm in such an ostensibly disparate group of characters reflects the importance of rugby in the region. "All the people here care about rugby," says Prof Pech. "It provides a powerful social bond at every level, from quartier to village, town and

> It has done so for the best part of a century. News of the game travelled east from Bordeaux in the 1890s and quickly took root in the Midi-Pyrenees. As in Bordeaux, there was an important British influence in the birth of the game. For example, Higgens, the captain of one of the first Toulouse teams was the son of the British consul.

> The expansion of the sport was rapid. From urban teams based on professions, notably vets and miners, rugby passed to villages and rural districts. Schools, according to Mr Pech, played a valuable role in rug-by's dissemination throughout

The reasons behind the rise of rugby in the Midi-Pyrénées are as numerous as the local teams. For Mr Castel, the sport gives expression to the character of the region's inhabitants. "It combines our Latin fire with the sense of teamwork and community," he says. While Castres claimed the "Rugby accommodates all types of people, from the large

powerful forwards to the smaller fast wingers. When you look around the street, you can imagine a position for The amateur status of the sport, and the strict rules which govern it, have also encouraged strong ties with the local communities. Mr

Labbe, treasurer of the Stade Toulouse rugby club, points out that, unlike in soccer, it is extremely difficult to transfer rugby players from one club to another. The players must have a licence to represent their team and this requires a job or a student certificate. As a result, teams are largely comprised of local players. There are exceptions. Rob Andrew, the England captain,

played for Toulouse in 1992-1993. Emile N Tmack, the quicksilver Toulouse three-quarter who also plays for the French national team, came originally from the east of France. Such exceptions, ever, tend to confirm the rule. Andrew had to find a job with a local company. The Toulouse club helped relocate N'Imack's brother and mother

when he decided to join them. Despite its strict codes and amateur status, the attraction of the game is strengthened by the social and economic opportunities it provides. Laurence Spanghero, one of six rugoyplaying brothers in an Italian immigrant family, used his fame on the rugby pitch to develop his Cassoulet food empire. A local government representative in the Pyrenean town of Tarbes refers to employment advertisements in which rugby skills are cited as

an advantage for applicants. Unsurprisingly, given the level of local support for the sport, the region has emerged as a powerhouse of French rugby. Many of France's leading teams, from Castres to Col-

omiers and from Toulouse to Tarbes, come from the Midi-

championship last year, Stade Toulouse look good for the 1994 title. Training in the Stade des Sept Deniers, the players work together as a slick unit. In the play-offs, they have already overcome an important hurdle by beating local rivals Colomiers by 32-12. Should they go all the way to the trophy, their exploits will provide any conversation that is needed in the



Rugby - "a powerful social bond at every level, from quartier to village, town and city"

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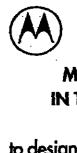
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#### **COMMODITIES AND AGRICULTURE**

# Copper and coffee keep London's bull run going

By Our Natural Resources Staff

Copper and coffee markets remained the prime targets of investment fund buyers yesterday, with prices adding to recent prodigious gains. But the party appeared to be over for oil traders as nearby prices for North Sea crude slipped back below \$16 a barrel.

The London Metal Exchange reported another steep drop in its copper stocks yesterday. triggering fresh fund and spec ulative buying. This not only sent copper's price spiralling upwards again but dragged other metal prices along with it. Copper for delivery in three months was \$2,220,50 a tonne at the close but prices surged again in the final minutes of LME after hours "kerb" trading and the red metal moved to its highest level for 15 months. to \$2,229, up \$50 from Monday's kerb close.

LME copper stocks fell by another 18,625 tonnes to a fresh one-year low of 406,075 tonnes. Mr Ted Arnold, metals specialist at Merrill Lynch, suggested that only copper and aluminium among the LME metals had any fundamental reasons for price rises, although "the fundamentals for lead are slowly turning in its favour.

He said that there had been some panic buying by copper consumers yesterday and buyers were ready to step in any

time the price dipped. "But it is wishful thinking to expect a mer price lull this year, he added. Mr Arnold said he had no idea how high the copper price would go, but when it reached its peak it would fall back a few cents a pound. He doubted if it would go back below \$2,000 a tonne.

(As at Monday's class)

Aluminium	+1,675	to 2,648,360
Aluminium alloy	-340	to 36,600
Copper	-18,825	to 408,075
Lead	+950	ta 346,575
Nicial	-186	to 1\$2,330
Zinç	+3,750	to 1,161,100
Tin	-80	to 27,845

Three-month aluminium closed \$22 a tonne up on the LME at \$1,374.50. Mr Arnold said the market was now confident that producers would stick to the international agreement to cut annual output by between 1.5m and 2m

Meanwhile, coffee futures remained in strong favour on both sides of the Atlantic, with some traders believing New York had taken over the running from London.

The July arabica futures contract in New York was consolidating yesterday afternoon after a rise of more than 12 cents a pound on Monday. But the September contract spent some time stuck at its one-day upward limit of 6 cents a pound as it struggled to catch up with July's earlier rise.

New York," said one London trader. "The sign of a true bull market is a strong backwardation [when contracts for nearby delivery are at a premium over forward positions]. The backwardation is starting to deepen in New York whereas it's starting to weaken

in London." The steam had certainly not gone out of the London market yesterday. The July robusta position hit a peak of \$2,150 a tonne before easing slightly to close up \$93 at \$2,145. This puts it 79 per cent up on the year. having risen by 50 per cent in the past three weeks.

Oil prices yesterday bucked

the upward trend in other commodities. The benchmark Brent Blend for July was quoted at \$15.85 a barrel in late London trading, well down on its close on Monday of \$16.13. Traders attributed the decline to profit-taking at the end of a three month rally, which has seen oil prices rise by about \$4 a barrel from the five-year lows recorded in mid-

Mr Lindsay Horne, a trader at the London office of US investment hank Lehman Brothers, said other factors affecting prices included the end of a buying spree by US refiners in advance of the American summer holiday driving season, and continuing strong output from the North

#### MARKET REPORT Precious metals hold on to gains

Precious metals held most of their overnight gains yester-day, despite doubts about the authenticity of SILVER'S surprise rise in New York.

The London silver price caught up with a 20-cent jump to \$5.55% a troy ounce, while GOLD put on \$2.80 at \$383 an ounce and platinum edged up \$1.85 to \$400.

At the London Commodity

Exchange COCOA futures failed to get going after a slug-gish start and the July position ended the day at £947 a tonne. down another £5. Traders said the continuing absence of industry offtake and producer activity was keeping dealings quiet. New York offered no direction, holding little changed following its weaker

Precious Metals continued

prices all moved higher with copper and aluminium (see story above). Notable gains were registered by TIN, which touched 14-month peaks, and NICKEL, which, although running into heavy sales on approaches towards Monday's 19-month highs, was underpinned by speculative buying.

GRAINS AND OIL SEEDS

MHEAT LCE (E per tonne)

Compiled from Reuter

#### out the head-hunters

Booming business in base metals has led to fierce competition for experienced traders, prompting rising salaries and bonuses, reports Reuter.

Banks and trading companies, fearful of losing top people, are offering a range of incentives to existing staff, while others are seeking to lure dealers through attractive

An annual package of salary plus bonus totalling £130,000 to £140,000 is not uncommon. according to a trade house executive.

"The [metal trader] recruit

ment market is buoyant," said a leading job consultant. All areas of metals trading are expanding as business from consumers and producers increases and investors buy in the hope that prices will continue to rise as the world steps

out of recession Banks, financial institutions and other players see metals as a growing source of basiness. There has been a rush of derivative product issues, such as warrants on backets of met. als, regarded as the commodities most likely to benefit from an economic revival.

A further boost to busin has come from rising demand from mining company's for long-term packages to hedge their price risk.

As the metals business is small compared with bond and foreign exchange markets, turnover in dealers has become particularly active. "We have been busy since the start of the year," another recruitment consultant said. The number of floor mem-

bers on the London Metal Exchange is rising. Sucden UK, a subsidiary of French broker Sucres et Denrees, becomes the 18th member later this year.

At least one other company may follow suit, while the number of associate broker clearing members is also rising. US securities house Kidder, Peabody International, part of General Electric Company, was recently elected to this category.

SOFTS

■ COCOA LCE (2/tonne

# Boom brings | EU pulp makers in 'home-made mess'

European pulp and paper companies will escape an even worse recession than the last one only if they refrain from building up extra capacity too quickly, an industry leader warned yesterday.

Mr Robert van Oordt, chair-

man of KNP BT, the Dutch paper and packaging group, told a Financial Times conference on world pulp and paper that it would take time to resolve the "home-made mess" of overcapacity.

All sectors apart from news print had operated well below 90 per cent capacity utilisation during the past few years and were expected to return to

operating rates above 90 per

said. "Current overcapacity will only disappear if the leaders of European paper companies act responsibly. If they do, the outlook is excellent. If not, the future will be even worse than what we experienced during the last few years."

Timber, pulp and paper pro-ducers worldwide are emerging from a severe recession that has forced many into radical restructuring. Optimism that the industry has turned the corner has been fuelled by a strong recovery in pulp and

paper prices. But Mr van Oordt seid rising prices were creating "an artificial situation" in Europe. "Other economies - the US and Asia - are doing better,

than our own and are siphon-ing off the raw material and pushing prices up. Our economies in Europe are not yet strong enough for us to pass on our costs to our customers.

He said EU companies had to close the competitive gap with other players in the industry. notably in North America and Scandinavia Further rationalisation of mills was needed. In Finland, the average mill

size had risen from 142,000 tonnes to 241,000 tonnes between 1980 and 1992. In the US, the figure had gone from 92,000 tonnes to 134,000 tonnes. But the average mill size in the EU had increased from 22,000 tonnes to just 42,000 tonnes. On the bright side, demand

remain healthy, "a unique starting position in a European setting where most industries are troubled by low- or nogrowth conditions," he said

The continued demand for paper in the electronic age was underlined by Mr Alain Soulas, chief executive of Arjo Wiggins Appleton, the Anglo-French paper manufacturer. "The psychological value of the printed page is still high, as is shown by the rapid rise in demand for printers." be said.

Growth in the West European market would continue. he said, but European paper companies must look to opportunities in the Far East, Latin America and eastern Europe to become more competitive glob-

# Finnish mill project gets green light

Christopher Brown-Humes on a £365m chlorine-free pulp project

fter five years of plan-A ning and two years of difficult financing talks, a project to build the world's largest chlorine-free pulp mill was finally given the go-ahead last week. The FM3bn (£365m) facility, to be built at Rauma in western Finland, will be capable of producing 500,000 tonnes of softwood pulp a year and is scheduled for start-up in 1996. Even six months ago a deci-sion to proceed with the plan would have looked reckless.

Softwood pulp prices had plunged to just \$380 a tonne from a peak of \$840 in 1989, and there was little sign of the long-awaited recovery in the pulp and paper sector. Since then pulp prices have risen to \$560 a torme and the broader paper industry cycle appears to

have turned In spite of the improved climate, however, United Paper Mills, the biggest shareholder in the project with a stake of 45.6 per cent, only came on board at the last minute. It also appears that the financing problems were only resolved through a FM1.2bn state guarantee for a large proportion of the loans. A persistent diffi-

culty has been risk concentra-

tion, with many of the leading

Finnish banks already heavily exposed to the companies behind the project.

Most analysts, though, believe that the fundamentals favour construction of the mill. They note that it will come on stream at a time when pulp prices are expected to be at or near their next cyclical peak. This explains the determina-

tion of Metsa-Rauma, the operating company, to stick to the 1996 start-up target. Excavation work began last autumn, well before the project was finally approved, and impetus has been maintained with the immediate placing of FM600m worth of contracts.

At least half of the mill's output will be consumed by UPM and Metsa-Serla, the second largest investor in the project with 27.8 per cent. UPM will supply its Rauma paper mill and Metsä-Serla its Kirkniemi magazine paper plant. Metsa-Botnia, which previously supplied much of this pulp, will offer more of the commod-

ity on the open market. Much of the new mill's remaining output is expected to go to western Europe, primarily for use as a reinforcing agent in the production of recycled paper. This is an attractive market, with forecasts suggesting that recycled paper demand will grow at 4.5 per cent a year over the next decade, compared with overall growth in pulp demand of only 1.6 per cent a year.

In tapping this outlet, Metsä -Rauma believes its environmentally-friendly totally chlorine-free (TCF) pulp will give it a considerable marketing advantage. It notes that its production costs for TCF will be no higher than for conventional pulp because it is installing the required equipment

The mill's cost structure is also favoured by the 35 per cent fall in Finnish wood prices over the past three years. Although prices have started to rise again, mirroring the pulp industry's improved fortunes, the prospect of increased wood imports from neighbouring Russia in the next few years should ensure that Finnish wood suppliers

from scratch.

moderate their price demands. Developments in the broader market could also favour the mill. Analysts say several Canadian pulp mills may be forced to close on environmental and financial grounds. They also believe there will be sales

where paper demand is growing rapidly and long-fibre softwood pulp is expected to be in short supply. Most of the pulp capacity coming on stream in countries like Indonesia is of the short-fibre hardwood vari-

Not everyone is convinced however, that the pulp market recovery is fully established. Many commentators say short-term factors, such as restocking and disruptions to hard wood supplies from Russia, have driven the price up further than supply and demand factors warrant. They believe pulp prices could easily

fall later this year. But the mill's backers are undeterred. They point to the mill's economies of scale and the technical advantages it will enjoy from utilising the very

latest equipment. They also stress that their financial calculations are relatively conservative. The mill is expected to break-even after depreciation and interest with a pulp price of below \$500 a tonne. At \$550 a tonne the return on capital will be 10 per cent - much higher than the pulp industry has managed tra-

COMMODITIES PRICES BASE METALS

**LONDON METAL EXCHANGE** (Prices from Amelgemated Metel Tracing) ALUMINIUM, 99.7 PURITY (\$ per tonne)

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103.25 +2.10 102.50 102.50 102.55 +2.25 102.70 101.80 101.75 +2.05 PRECIOUS METALS III LONDON BULLION MARKET (Prices supplied by N M Rothschil É equiv. 382.40-382.80 363,40-383,80

104,05 103,25 102,55

382.10-382.50 380.00-380.40 d Lending Rates (Vs US\$) Silver Fix Spot 336,67 553,00 569,30 568,30 583,80 370.BS 375.49 388.76 \$ price 366-389 £ equiv. 258-260

GOLD COMEX (100 Troy oz.; \$/troy oz.) -1.7 -1.7 387.3 384.4 25,506 5,829 144,474 32,582 PLATERUM NYMEX (50 Troy 02; S/troy 02) 398.4 -6.1 405.0 398.5 16,804 2,774 402.2 -6.1 407.5 402.0 3,587 191 1,069 1,055 404.4 406.4 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 138.25 138.45 138.45 135.95 -0.10 136.76 135.50 2,344 - 137.00 136.00 2,066 - 137.00 138.45 626 - 6 Jun Sep Dec Mar Tetal 230 234 1 465 SILVER COMEX (100 Troy oz.; Cents/troy oz.) 20,680 1,384 271 **ENERGY** E CRUDE OIL NYMEX (42,000 US gate, \$/parrel) 17.69 69.637 35.378 17.25 106.655 39.727 17.03 42.533 11.086 16.93 31.132 8.567 16.92 19.370 1.465 16.90 12.767 544 436,195 100,502 18.07 17.52 17.29 17.04 17.06 18.93 E CRUDE OIL IPE & Opea int 38,438 11,642 183,749 25,815 21,045 4,287 11,372 434 6,252 120 4,851 304 42,578 25,797 18.30 38,438 15.78 83,749 15.70 21,045 16.85 11,372 15.62 6,252 15.67 4,851 HEATING OIL NYMEX (42,000 US gaits; c/US gaits.) 10 40,512 9,219 10 32,141 8,165 10 14,220 2,206 10 11,287 1,792 10 5,891 327 10 5,323 194 142,189 23,265 -0.71 47.75 47.00 49.512 -0.75 48.20 47.40 32.141 -0.85 48.55 48.00 14.220 -0.86 49.50 48.10 11.287 -0.35 50.30 50.30 6.881 -0.80 51.30 50.30 5.323 III GAS OIL IFE (\$/torns | Day's | Low | Int | Low | Lo Juli Juli Jugi Sep Oct Hov Total 2,287 590 381 322, 127 E NATURAL GAS HYMEX (10,000 margin; \$4margin)

Latest Day's price change 1.914 +0.001 price change High Low let 1.914 +0.001 1.915 1.885 17,788 1.990 +0.004 1.985 1.961 18,532 2.025 +0.004 2.025 2.017 11,021 2.065 +0.004 2.070 2.055 11,831 3,256 549 330 89 111 2.125 2.115 2.230 2.210 2115 +8801 NYMEX (42,000 US galls.; c/US galls.) Open int | Pay's upon change High Low int Yel | 1-277 51.15 50.85 34.786 11.280 | 1-0.80 51.35 50.75 31.116 5.788 | 1-0.80 51.30 50.90 14.288 2.252 | 1-0.60 50.90 50.40 9.832 685 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 48.15 2.448 40 | 1-0.40 48.25 4

Day's change High Low 113.90 +0.60 114.00 114.00 113.90 +1.25 114.00 113.00 98.45 -0.30 98.40 98.40 98.40 -0.30 99.50 99.10 ■ WHEAT CET (5,000bu min; cents/60b bushel) 321/4 +1/4 322/0 317/0 830 600 328/0 -0/4 327/2 323/4135,530 44,020 330/4 -1/4 331/6 328/2 34,050 5,215 340/2 -1/2 341/6 338/4 38,240 1025 343/4 -1/4 344/6 342/4 3,240 125 338/4 -1/4 344/6 342/4 3,240 125 May Jul Sep Dec Mar May Total May 255/2 -0/2 255/2
Jul 257/0 -9/2 257/4
Sep 250/6 +0/4 251/2
Dec 254/6 +0/4 255/0
May 255/0 - 256/0
Total
■ BARLEY LCE (€ per tonne) 264/6 6,415 5,286 265/0671,515164,395 257/4 196,520 18,190 251/4 404,740 94,180 259/0 40,520 3,135 262/2 4,855 105 111.50 -3.50 97.25 -98.25 -0.15 -0.15 98-25 98-25 886/4 879/4 11,235 5,425 881/0 875/0 331,820 194,435 875/0 686/0 67,590 7,290 852/4 648/0 38,015 4,180 836/6 828/0 228,495 61,615 +1/4 +2/0 +2/2 +2/6 +4/2 +5/0 E SOYABEAN OIL CET (90,000fbs: cents/fb) May 29.63 -0.02 29.65 29.35 2,093
Jel 29.60 +0.05 29.63 29.36 43,336 1
Ang 29.34 +0.02 29.38 28.13 13,811
Sep 28.67 +0.02 29.92 28.62 10,513
Oct 28.02 +0.05 28.05 27.78 7,898
Dec 27.31 +0.12 27.33 27.00 17,155
Total 99,361 2
■ SOYABEAN MEAL CST (100 tons; \$/ton) 
 29.63
 -0.02
 28.65
 29.35
 2,083
 999

 28.69
 +0.05
 22.63
 29.35
 43,336
 15,136

 28.34
 +0.02
 28.36
 28.13
 13,611
 2,342

 28.62
 +0.02
 28.262
 28.02
 10,513
 97,4

 28.02
 +0.05
 28.05
 27.78
 7,809
 315

 27.31
 +0.12
 27.33
 27.00
 17,155
 4,290

 99,281
 24,871
 188.7 +0.8 189.7 187.4 944 188.9 +0.5 189.2 187.4 36,627 187.5 +0.6 187.9 188.4 14,287 189.5 +0.8 183.7 182.0 5,277 182.1 +1.0 183.0 180.6 17,121 250.0 -12.5 90.0 -90.0 105.0 132.6 -1.7 133.0 132.0 FREGEHT (BIFFEX) LCE (\$10/index point) 1482 1380 1255 \$2 \$4 \$5 \$4 \$8 1456 1339 1210 1330 1333 1366

Nimor Metals
European free market, from Metal Bulletin, \$
per lb in warehousa, unless otherwise stated
last week's in bractest, where changed, Antimonts 98.0% \$ per tonne, 2,600-2,700 (2,9602,500). Blamathe min. 99.99%, tonne lots 2,262,500, Blamathe min. 99.99%, tonne lots 2,262,40. Cadmitum: min. 99.99%, 78-85 cents a
pound. Cobalth MB free market, 99.9%, \$
26.20 (23.80-24.80); 99.3%, 19.15-19.80
(19.00-18.80). Mercury: min. 92.99%, \$ per 76
lb flask, 100-110 (90-105). Molytodemark
drummed molybdic exide, 3,20-3,30 (3,153,25). Selenkars min 2574, 3,50-4,55. Tungsten area standard min. 65%, \$ per tonne unit
(10kg) WO<sub>3</sub>, off, 33-45. Vanadium: min. 98%,
cif, 1,40-1,50 (1,35-1,45). Urapitum: Nuextosechenge value, 7,00.

909 98 15 942 19,386 1,387 982 14,605 819 983 25,558 503 ■ COCOA CSCE (10 tonnes: \$/tonnes) 1257 -23 1286 -21 1321 -25 1356 -23 1385 -23 1407 -23 1275 1256 38,884 7,439 1302 1285 17,269 1,854 8,557 10,710 4,899 2,795 1334 1367 1393 1320 1355 1383 718 190 30 E COCOA (ICCO) (SDR's/tonne) EL COFFEE LCE (\$/tonne) +72 2167 2140 1,103 49 +91 2150 2103 18,759 3,952 +67 2125 2660 14,729 4,435 +90 2090 2050 5,846 1,575 +84 2103 2039 8,382 890 +85 2035 2011 2,289 130 2117 2089 2067 2035 IF COFFEE 'C' CSCE (37,500lbs; cents/lbs) 
 120.50
 -6.00
 129.00
 122.00
 64
 50

 120.25
 -7.05
 129.90
 120.00
 30,394 17,222
 118.00
 49.35
 124.18
 118.00
 15,200
 4,846

 114.75
 -0.75
 122.00
 114.75
 9,769
 3,420

 112.00
 -3.10
 120.00
 112.00
 4,001
 838

 110.00
 -3.25
 118.50
 110.00
 613
 50
 E COFFEE (CO) (US cents/pound) Press, deep 107,31 93,11 M No7 PREMIUM RAW SUGAR LCE (cents/lbs) 12.22 +0.14 -12.29 +0.16 12.29 11.90 +0.07 11.90 2,497 678 55 11.96 11.90 78 SUGARI LCZ: \$370x3mb;
34300 +450 34450 339.90 12,321 1,511
324.00 +3.70 325.00 320.00 7,832 1,413
314.20 +3.10 314.50 311.50 605 65
312.60 +3.80 312.50 309.00 1,433 52
312.70 +3.30 312.00 312.00 200 4
22,428 2,851 11.87 +0.11 12.01 +0.14 11.74 +0.09 11.73 +0.09 11.68 +0.06 11.65 +0.06 12.05 11.88 51,820 7,674 12.05 11.87 41,928 8,110 18,985 2,914 1,382 513 11,64 11,64 11,63 11.78 11.75 11.70 11.64 E COTTON NYCE (50,000lbs; cents/be) 80.22 +0.28 80.50 74.87 -0.33 76.25 78.65 -0.13 74.00 74.55 -0.13 74.85 75.12 -0.12 75.50 75.50 -0.15 75.90 78.50 22,194 3,952 74.33 4,988 195 73.11 18,105 1,173 74.10 2,382 158 74,75 855 76 75.40 184 35 Jel Oct Dec Mar May Jel Total ORANGE JUICE NYCE (15,000lbs; cents/fbs) 90.85 +0.05 82.50 91.55 343 92.80 - 94.75 92.55 14,400 95.30 +0.10 97.30 95.20 2,933 98.40 +0.10 88.40 86.25 1,226 98.50 +0.25 100.25 98.50 2,283 14,400 2,933 1,256 2,283 757 98.80 +0.10 98.80 95.25 98.80 +0.25 100.25 98.50 100.30 +0.20 101.25 100.25

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE, CME and CSCE are one day in Erreans.

INDICES ■ REUTERS (Base: 18/9/31=100) May 10 1946.6 month ago 1816.1 E CRS Futu res (Base: 4/9/56-100) May 13 227.38 222.14

MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000fbs; cents/fbs 85,875 0.500 67,700 66,875 26,221 66,725 0.350 67,200 68,350 16,823 69,300 0.425 88,925 69,150 12,092 70.975 0.350 71.025 70.500 8,781 71.575 0.350 72.025 71.500 4,844 72.950 0.200 73.125 72.800 2,473 ■ LIVE HOGS CME (40,000/bs; cents/bs) 80.450 0.176 50.550 50.025 12,686 2,949 49.975 0.075 50.100 48.675 8,707 1,218 Any Oct Dec Pob Total 48.475 44.175 44.750 44.575 0.125 48.700 48.200 0.100 44.360 43.950 0.150 44.800 44.300 0.225 44.800 44.300 5,461

45,400 -0.175 45,775 44,500 192 45,390 -0.375 45,690 44,575 5,758 43,375 -0.375 43,650 42,550 1,882 51,476 -0.125 51,850 50,800 241 5,758 1,882 241 26 11 +0.150 50.900 50.600 LONDON TRADED OPTIONS Strike price \$ tonne E ALUMENTUR (99.7%) LME Aug 17 34 60 27 43 66 110 90 64 ■ COPPER (Grade A) LME Aug 147 118

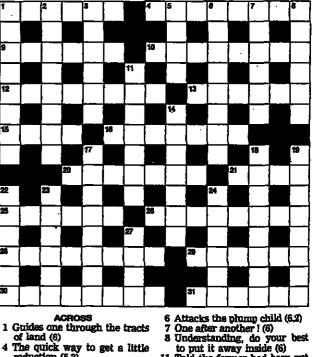
Aug 24 39 59 143 114 89 Sep 348 306 272 M.COCOA LCE Sep 87 71 56 BRENT CRUDE IPE LONDON SPOT MARKETS

CRUDE OIL FOS (per berrel/Jul) Brent Blend (deted) Brent Blend (Jul) W.T.I. (1pm est) \$15.74-5.78 \$15.78-5.80 \$17,20-7.22w ■ Oil PRODUCTS prompt delivery CIF (tonne) Premium Gescline Ges Oil Heavy Fuel Oil Naphtha Jet Fuel . -3 -2 -1.5 -1.5 -2.0 \$178-180 \$148-150 \$82-85 \$154-156 \$162-163 E OTHER Gold (per troy oz)§
Silver (per troy oz)§
Pletinum (per troy oz.)
Pašadium (per troy oz.) +2.80 +17.60 +1.85 +8.15 553.00c \$400.00 \$135.25

Copper (US prod.) 107.000 Lead (US prod.)
The (Kusta Lumpur)
Tin (New York)
Zinc (US Prime W.) 36.00c 14.21r 262.50c Unq. 126.99p 148.44p 80.84p \$296.00 \$345.50 £302.00 Cattle filve weight)† Sheep (tive weight)† Pigs (tive weight) -0.84° -7.82° +3.49° Lon. day sugar (raw Lon. day sugar (wto Tate & Lyle export -2.50 +1.00 Unq. \$140.00 £180.0x Bartey (Eng. teed) Malze (US No.3 Yellow +1,50 Wheat (US Dark North Rubber (Jun)♥ Rubber (Jun)♥ Rubber(KL RSS Not Jun) 72.00p 72.25p 257.00m +0.25 +0.50 \$616.02 \$497.5y \$393.0 £183.0y 85.55c 425p +20.0 +20.0 Coconut On (PHI)§ Paim Oil (Maley.)§ Copre (Phil)§ Sovebeens (US) +22.0

**CROSSWORD** 

No.8,456 Set by ALAUN



1 Guides one through the tracts 11 Told the former had been put 9 And in the right order by 14 What the smoker had and lost sheer chance (6) 10 True account given 17 "Justifles out-and-out hostil parson (8)

12 Years go by before you get the trips (8) 13 Coming to provide publicity 18 It's goodbye to food and before the opening (6)

15 See how long it takes to empty the bar! (4)

16 in which one hears about love 19 Worked out it's because one is in colour (8)

16 in which one hears about love breaking hearts (?)
20 Mean the nest is built by travelled (6)
21 Step one is to get to power (4)
25 Come back again at a jog-trot
(6)
24 The way the test is set, again must get through (6)
27 Give the sward a water (4) 28 Having control of, cheat an

underling (8)
Water the sun never dances on (6) 30 Manages to get a husband who's not a sailor (8) 31 Impassive, slipped to inside

1 Copy the sections about the banks (8)
2 Wishing for some company to lend the money spoken of (8)
3 Not good enough? That's a character (2) in 5 Horse about with the com-



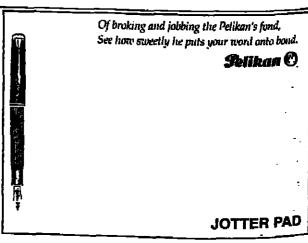
in the shade (7)

water, too (8)

ity," one declaims bor cally (8)

Card Till 29 Mil

1276



# Company statements encourage a firm market

By Terry Byland, **UK Stock Market Editor** 

London stock markets closed firmly yesterday, taking their lead from the US Treasuries, but without news from the meeting of the Federal Reserve's Open Market Committee (FOMC). UK traders hoped that before London opens today the Fed will have delivered the keenly desired 's percentage point increase in its key interest rates. "Anything less than a half-point rise will not please the market." was the consensus view at last night's close of trading.

After a slow start, UK shares moved ahead and the FT-SE 100 Index closed 7.9 better at 3,123,5. Although trading volume was higher than on the previous day, traders stressed that it was a cau-

tious session. Stocks were easier for much of the day but the Footsie once again bounced convincingly when it slipped towards the 3.100 area; the day's low was 3,106.8. A survey of the distributive trades by the Confederation of British Industry was favourably received.

Although the awareness that the FOMC meeting would not even start until late in the London trading day inhibited activity in UK stocks, there were plenty of company trading statements to keep dealers on

The FT-SE Mid 250 Index, which has shown itself both independent of and somewhat weaker than the FT-SE 100 in recent sessions, finished just 0.3 up at 3,707.2. Seaq volume of 638.5m shares compared with 671.7m on Monday when retail business was worth £1.43bn.

Accoun	t Dealing	Pates	
*First Deallage: Apr 25	May 16	Jun 6	
Option Declarations: May 12	Jun 2	Jun 16	_
Last Declinger May 13	Jun 3	Jun 17	
Account Days May 23	Jun 18	Jun 27	_
New time dealing	s may take	place from i	×

Favourable trading comments from a handful of blue chip companies aided sentiment. Allied-Lyons and Hanson said the year had started satisfactorily and BOC, seen as an industrial market leader, traded heavily after a very positive interim statement.

The stock market remained hopeful that determined action by the Fed would at last settle nerves in the bond market and, by stabilising bond yields, enable the equity market to respond to improvement in

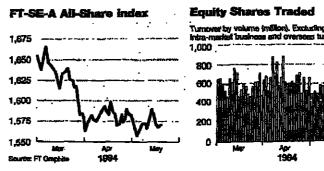
corporate dividends and earnings. While the markets will remain on tenterhooks until there is news from the FOMC meeting, London today faces important data on the domestic economy. UK analysts expect these to confirm that domestic inflation has remained subdued. and thus ward off fears that UK base rates will be forced higher

later this year. Building and construction issues gained ground after the latest official statistics showed that new orders were 10 per cent up from the first quarter of last year. But there were further signs that investors are turning away from the engineer-ing and vehicles sectors, believed by some analysts to have outrun the economic recovery.

elsewhere in the market, with the food and brewery stocks showing a mixed picture as investors waited for the March retail sales statistics.

Pharmaceuticals stocks continued to move nervously as attention focused on SmithKline Beecham and investors pondered the likely effect of the expiry this week of US patents on Tagamet, SmithKline's high selling anti-ulcer drug. London outperformed other lead-

ing European stock markets yesterday and UK traders sounded relatively confident that the Footsie index can at last climb away from the 3,100 level, if only the bond mar-kets can establish themselves in a new trading range. Strategists were encouraged by the increase in trading volume as the market rallied yesterday afternoon.



Key Indicator:	8	
ndices and ratios		
T-SE 100	3123.5	+7.9
T-SE Mid 250	3707.2	+0.3
T-SE-A 350	1580.2	+3.0
T-SE-A All-Share	1571.48	+2.74
T-SE-A All-Share yield	3.70	(3.70)
Sest performing s	ectors	

FT Ordinary index 2468.8 FT-SE-A Non Fins p/e 20.32 3124.0 +18.0 10 yr Gilt yleid B.06 (8.12)

Long gilt/equity vid ratio: 2,25 (2.25) Engineering, Vehicles
Gas Distribution ..... Textiles & Apparel ..-0,8

#### Hanson payment pleases

Turnover in Anglo-US conglomerate Hanson jumped to 24m shares, making it the day's most actively traded FT-SE 100 constituent, after it surprised the market with an increase in the dividend. The

stock gained 6 at 269p. The hefty volume included a single block of 6.9m traded at 259p, thought to have been

News on the dividend accompanied interim figures which revealed headline profits of £683m - against £507m a year earlier - a figure which disappointed several analysts. The dividend was raised from 2.85p

to 3p.
Mr Geoff Allum at NatWest Securities was among those disappointed by the profits figure but conceded: "As a yield stock the increase in the dividend overshadows the less than expected profits."

**BOC** strong

group, saw the shares deliver the best performance of any FT-SE 100 stock. By the close the share price

had risen 29 to 715p, the highest level since April 8. Turnover of 4.9m shares was the second-highest this year.

Analysts said they were

impressed with the performance of all BOC's operating areas, especially natural gases which improved sharply, and healthcare, where they said problems seem to have boot-tomed out. "It looks as if the worst is over for BOC," said one of the market's more bearish analysts. Most current year forecasts were being lifted to around the £340m mark.

News that the London Financial Futures and Options Exchange had decided against joining Reuters' Globex trading system hit the shares, which closed the day 7 off at 485p. Analysts said the develnt was disappointing but not life-threatening for the product, which has been steadily increasing its trading

volumes. However, one analyst said the danger of a major exchange such as the Liffe not joining could have a negative effect on other exchanges' decisions making Friday's likely announcement by the Deutsche Termin Boerse all the more important.

TRADING VOLUME

■ Major Stocks Yesterday

Vol. Closing Day's 090s price change

#### LOWS FOR 1994 UK insurance brokers, came in well below most market estimates and put the shares under heavy pressure during

First-quarter profits from

Sedgwick, the higgest of the

was the second most heaviest

Some analysts had pencilled

in first-quarter expectations of

£50m and more, against the actual result of £43.6m. The

company pointed out, however,

that it had warned of a change

in the way profits were spread

out over the year. Profits fore-casts for the year were being

fine-tuned after the meeting

but mostly were clustered

around the £98m to £100m

The reporting season in the

drinks sector continued in sim-

ilar vein, with Allied-Lyons

reporting full-year figures in

line with market forecasts. As

expected, the brewing side per-

formed poorly, prompting

louder murmurs from analysts

for the company to consider

divesting its interest in the

Carlsberg-Tetley joint venture.

There was also some disap-

the morning.

this year.

mark.

NEW HIGHS (86). MATLS & MCHTS (5) Chiefmin, Hewston, Roskel, Russell (A), St. Gobzin, DISTRIBUTORS (1) Abacas, Basmiller, ELECT EQUP (3) ENG er, Persons, BLECTRING & ENGENEERING (1) ASW. EN But a clarification of the fig-WI (1) ASW, ENG ures at the post-results meet-VEHICLES (1) Bostrom, EXTRACTIVE INDS (1) POCD MANUF (1) PRICON'S, INVESTMENT TRUSTS (2) MEDIA (2) CIA, City of London PR, OIL EXPLORATION & PROD (5) OIL, ing with analysts helped to restore a measure of confi-INTEGRATED (1) Potrolina SA, OTHER SERVE & BUSINS (1) Shapon (A), PRING, PAPER & dence in the shares, which ended a net 6 down at 197p, having fallen to 194%p immedi-PACKO (2) Klearfold inc., Mosaic Inva., PROPERTY (1) Bucknell, RETAILERS, FOOD (1) Perk Food, RETAILERS, GENERAL (1) Goldsmiths, SUPPORT SERVS (2) MAIT, ately following the numbers. Turnover of 7.6m in Sedgwick

**NEW HIGHS AND** 

Senderson, AMERICANS (1) Chase Me NEW LOWS (118). King, BUILDING & CHSTRIX (5) Av Bollwinch, Bosses GILTS (1) BANKS (1) BREWERISS (1) Green Beliwinch, Bryant, Pecalenmon, Tay I BLDG MATLS & MCHTS (B) BLBC BLDG MATLS & MCHTS (8) BLECTIFIC &
BLECT EQUP (9) Johnson Bearls, Kentecod
Applances, Telemetris, Britamerrishin, (9) Duvid
Brown, GBE, Hursing STARP, Prf., Locker (7) A.
TI, Whesson, ENG, VEHICLES (8) Luces Inda.
TI, Whesson, ENG, VEHICLES (8) Luces Inda.
Syltams, ECITRACTIFIC INDS (9) FOOD MANUE
(2) Poliphend (CP), Univers IVI, GAS
DISTRIBUTION (1) Calo, HEALTH CARE (8)
Intercain, Schot, Takars, INSERRANCE (9)
INTERCAIN THAIRTS (2)) INVESTMENT
COMPARIES (6) LIFE ASSURANCE (1) Licyds
Abbey Life, MERCHANT BANGS (9) CIL.
DOPLORATION & PROD (1) PRESENTED, OTHER
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General Motors Units, PHARIMACEUTICALS (5)
Bin., Hursingston, Parsson (With, PRTNO). Elan, Huntingdon, Ransson (Wint, PRTNO, PAPER & PACKO (S) AG, Phys., Waddington (J). PROPERTY (7) RETAILERS, GENERAL (8) SPIRITS, WINES & CIDERS (I) Buiner (HP), SUPPORT SERVS (2) Macro 4, Stridt Peigls TEXTILES & APPAREL (T) SINGE, TRANSPO (S) AMERICANS (S) CANADIANS (2).

ing. They closed 5 up at 595p. A busy pharmaceuticals sector saw Fisons dip 4 to 140p following the annual meeting. SmithKline Beecham came under pressure early in the session following news of a challenge to its UK patent on its biggest selling drug, the antibiotic Augmentin, from Norton Healthcare. Smithkline shares fell to 394p at one point but later rallied to close a net 5 off

#### at 400p. Speculation that steel and

Extractive inda

Water

Building Materials

wire group ASW Holdings may soon be on the receiving end of a bid from British Steel did the rounds in the market. The former gained 8 to 213p, while the latter eased 3 to 142%p, after trade of 12m. RTZ raced up 20 to 887p and

looked set to attack the shares' all-time high of 897p set in Februsry, following the latest upsurge in copper prices and talk of a strong buy recommnedation from BZW.

+1.5

The English power generators moved in opposite direc-tions with National Power, the biggest of the UK's generators. sliding 6 to 437p on good turnover of 3.5m shares, ahead of preliminary results expected this morning and following suggestions that a big line of stock had been offered to the market in mid-morning. PowerGen, on the other hand, was also in demand and closed 9 higher at 484p. Both stocks were strong performers on Monday.

Kleinwort Benson was said to have provoked the big switching from Scottish Power into Scottish Hydro. The latter was finally 3 off at 339p and the former a further 9 lower at 3590, after 358p.

The £22m rights issue from Higgs & Hill, the housebuilding and construction group, saw the shares retreat 10 to

Shares in publishing group Emap, which have underperformed the market by 14 per cent over the last three months, jumped 18 to 385p,

after Smith New Court turned buyers of the stock, changing Mr David Forster at the broker said, things were improving at Car Week magazine after disappointing initial sales, and that the group should benefit from the better

advertising. Around 47 per cent of Emap's revenue is derived from advertising. Redrow, the housebuilder. made an unauspicious market debut, the shares opening around 118p and slipping back to 115p at one point before rai-lying and ending the session at 128p, a significant discount to

than expected upturn in UK

the 135p offer price. The day's other debut stock, Capitol Group, the security operator, fared much better, opening and closing at 133p, compared with the 125p flota-

tion price. Woolworth and Comet owner Kingfisher was buoyed up by positive notes from UBS and Robert Fleming, as well as talk of a bullish meeting with a private client broker. The shares gained 7 to 564p. An upbeat agm statement from Goldsmiths helped the shares rise 5 to 115p.

Financial worries continued to overhang channel tunnel operator Eurotunnel and the shares relinquished another 15 to 405p

MARKET REPORTERS: Steve Thompson, **Christopher Price** Joel Kibazo.

■ Other statistics, Page 19

A STREET HOLE

ROSSWORD

part of a tax-related deal

A lacklustre session in stock

volume as dealers continued

to await the outcome of last

night's US Federal Reserve

# FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index (point

IN FT-SE MID 250 INDEX FUTURES (LIFFE) \$10 per full index point

III FT-SE MID 250 INDEX PUTURES (OMUX) £10 per full index point

IN FT-SE 100 INDEX OPTION (LIFFE) (3124) £10 per lui index point

III EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) 210 per full index point

IN EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) \$10 per tult index point

3650

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+18.0

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3900 3950

Day's Year May 17 chge% May 16 May 13 May 12 ago

Open Sett price Change

3124.0

3140.0

3722.5

Calls 2,636 Puts 2,196 \* Underlying Index value. Pre † Long dated equity months

3700 3750 3800 29 14 8 43 1 86

FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 ex law Trusts FT-SE-A 350

FT - SE Actuaries Share Indices

index futures brought poor

High

3120.0

Better than expected interim figures from BOC, the industrial gases and healthcare

on the FT-SE 100 finished at

3103.0

3,124, up 18 from its previous

Est, voi Open int.

8345 22

EQUITY FUTURES AND OPTIONS TRADING Open Market Committee close and at parity with the meeting, writes Joel Kibazo. The June futures contract underlying cash market. Turnover, at 8,345 contracts,

was one of the lowest in recent sessions. Earlier, June started trading at 3,110 and briefly slipped to 3,103 before recovering to trade around the 3,120 level for the next few hours. Dealers said the little activity there was consisted of sideways trading with light buying seen occasionally.

The firm opening on Wall Street led to an advance in June during the afternoon and a peak of 3,130 was recorded in the last half-an-hour of trading before a bout of profit-taking just before the

Traded options remained buoyant and saw turnover of 30,174 contracts, of which 9,381 were dealt in the FT-SE 100 option and 5,035 in the Euro FT-SE option.

British Gas was the most actively traded stock option with a total of 2,745 contracts. Most of the trading was carried out in the June 280 calls. It was followed by Hanson, also busy in the cash market, with a total of 2,568 contracts.

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339 7 13% 18% 29 34% 36% 850 651/4 85 181 181/4 361/4 45 900 38 58 761/4 41/4 601/4 681/4 500 32 45 63 1151/4 33 371/4 550 121/4 23 311/4 521/6 841/4 681/4 34 31 383/4 441/4 7 131/6 141/4 Royal Insca 240 31 38% 44% 7 13% 14% (7258 ) 280 19 28% 34% 15% 23 24% 200 19 2014 2714 774 13 1414 240 894 14 1774 1814 24 25 900 48 83 1094 17 26 3314 550 22 3714 4894 4314 52 5914 354 2114 2204 - 1334 2074 -384 894 16 - 32 38 -Jed Oct Jan Jul Oct Jan 950 49 70% 82 22 33% 42% 1000 23% 45 38 49% 60 57 ICI 800 55% 69 83% 17% 33% 42% (\*831 ) 850 27 44 58 41 58% 65% (\*838) 60 38% 49% 62 18 29% 36 (\*583 ) 600 14% 27 39 48 57% 64 (\*978 ) Tabues V ("489 ) Jun Sep Dec Jun Sep Dec Land Secur 650 32 42 4914 1614 2314 3014 (1675 ) 700 8 19 2714 50 5314 59 Marina & S 420 25 34 4014 1014 1414 1914 (1438 ) 480 7 16 2214 34 37 41 Multivest 420 47 5214 6114 5 114 17 Abboy Nati 300 22% 35 41% 51% 16 20% (\*465 ) 420 61% 21 261% 21% 32 36 Anstrai 30 4 6 7 1% 51% 16 20% (\*32 ) 35 14% 4 5 4 5 5 5 7 651% 4 15 23 (\*536 ) 550 11% 28 30 23 38 46% Saltenbury 390 18% 27% 33% 21% 29% 35 Shae Careler 280 28% 331% 38 4 12% 17 (7381 ) 420 5 15% 22 44% 48% 54 (7285 ) 300 8 22% 28 13 22% 27 Shell Transs. 700 55 65% 72% 8 17 22 British Gas 280 3% 180 22 8 12 29 (741 ) 750 23% 38 44 24% 39 44 (7282 ) 300 3 11 13% 21% 25% 33 Storehouse 220 12% 19 24 11% 15 18 Dborns 200 8% 18 23 6% 17% 20 (722 ) 240 41% 11 15 24% 27% 30% (7202 ) 220 2% 8% 15 21 30 32%

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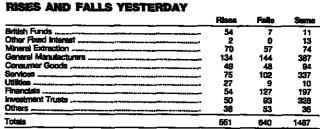
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Many % chg May Many Year Gross div 52 week 16 on day 13 12 ago yield % High Low 1849.52 +1.2 1828.52 1840.10 1700.90 2.09 2367.40 1522.68 Africa (16) Australesia (6) North America (11) 2478.93 -1.4 2514.40 2540.71 2187.12 4.81 2482.58 +4.8 2368.47 2328.27 1838.28 1.93 1577.80 +1.6 1552.96 1588.52 1535.83 0.71 Copyright, The Francial Times Limited 1894.

Figures in trackets show further of companies. Basis US Dollars. Basis Valuez: 1000.00 31/12/82.

Figures in trackets show further days 17: 205.0 ; day's change: -3.2 points; Year ago; 166.8 ↑ Partial Lichest prices were unavestable for this action.

**EQUITIES** 



TRADITIONAL OPTI	DNS		
First Dealings Last Dealings	May 3 May 20	Last Declarations For settlement	Aug 11 Aug 22
Calls: Alliance Res, Com-Tek,			

LONDON RECENT ISSUES: EQUITIES

price	pero	CESP	18			price		Net	Div.	Grs	P/E
P	ijΡ	(£m.)	High	Low	Stock	p	+	- dPv.	COV.	yld	net
	F.P.		10	9	Abtrust Scot Witte	10			_		
-	F.P.	1,218.6	£14%	214%	Ashanti Gold	£14 <sup>1</sup> 2		_	-	_	_
-	F.P.	29,7	101	89	Beta Global 5m C	99		-	_	_	_
-	F.P.	12.2	133	125	Capitol	133		LN3.3	1.8	3.1	22.4
110	F.P.	39.6	115		DRS Date & Res	111		LN2.8		32	
160	F.P.	59.3	171	180	GRT Bus	166	-2	FINS.8		2.9	12.9
120	F.P.	41.7		125	Go-Ahaad	125	_	MN4.0		4.0	19.0
_	F.P.	21.0	483	479	Govett Global Smir	482					
185	F.P.				Hamleys	181	-1	W4.7	22	32	17.4
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	F.P.		87		Oxford Molecular	68			Ξ	Ξ	_
	F.P.	282.9	128		Redrow	128		WN2.7	9 5	20	18.3
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	F.P.		261	100	Superacape VR	234	73		-	-	-
	F.P.	80.0	100		TR Euro Gwth C	100		-	-	-	-
100	FP.	43.0	93		Templeton Let Am	93			-	-	-
	F.P.	3.79	50		Do Wris	41		_	-	-	-
	F.P.	141,4	104		Templeton Emg C	101		-	-	-	-
	F.P.		1027		Undervalued Asts	10212		-	-	-	-
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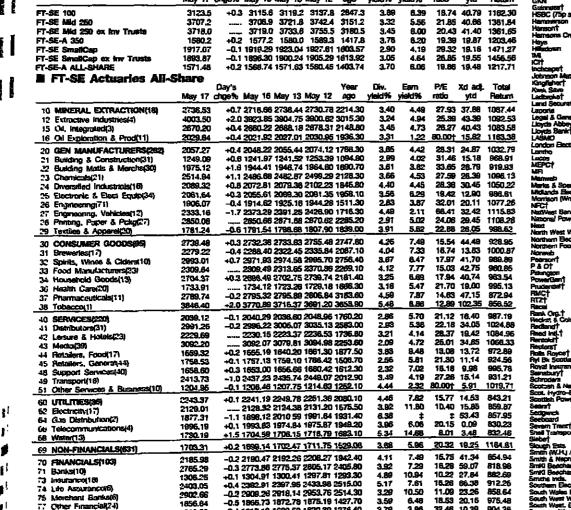
price	Arnount paid	Latest Renun.	19	94		Closing price	+07
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-	NI	-	Зргп	1pm	Abtrust Scotland	1 <sup>1</sup> 4pm	
6	NH.	18/6	1 <sup>1</sup> 2pm	1 cpm	Allied Radio	4pm	
27	N	22/6	7 <b>3µm</b>	5 20m	Babcock Inti	51 <sub>20m</sub>	
270	N	27	58om	49pm	Compass	51pm	
3	NE	31/5	11 <sup>3</sup> pm	<b>6рт</b>	<b></b> Cupld	11pm	+2
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5	N	91/5	4pm	1 <sub>2</sub> pm	Fernan Hidgs	25but	_
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2	Na	24/5	34pm	3 pm	Tamens	*PE	_
24	NB		11pm	10om	Unit	10pm	

FINANCIAL TIMES EQUITY INDICES

	May 17	May 18	May 13	May 12	May_11	Yr ago	High	Low
rdinary Share	2468.8	2462.6	2471.2	2494.1	2491.8	2216.5	2713.6	2439.2
rd. div. yield	4.04			4.00	4.00	4.21	4.05	3.43
em.ykd.%/full			5.50	5.45	5.46	6.08	5.52	3.82
Æ ratio net	19.48	19,44	19.50	19.57	19.65	20.24	33.43	19.44
Eration II	20.36					18.89	30.80	20.32
or 1994. Ordinary	Share Ind	es since d	omplanon	. high 271	3.5 2/02/94	; low 49.4	25/8/40	

Ordinary Share hourly changes

Opti		1440	31,00	12.00	13.0	14,00	15.00	18,00	High	Lon
2459.3	2458.8	2463.8	2461.3	2461.2	2482.1	2465.0	2462.5	2489.4	2469.6	2455.
			May 1	/ May	y 16	May 13	May 1	I2 Ma	ay 11	Yr ag
SEAO be			22,67	5 24	.190	32,414	27,1	B1 2	7.770	28.5
Equity tu					76.9	1434.1	1439		399.8	1246
Equity be					.755	39,464	29,4	86 3	0,649	33.1
Shares to					17.8	604.1	612	26	708.3	577
† Excludin	رر-وويد و	يتناخ إخديس	Marie and	CVCTRA	es turno	VEF.				



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Other Financial(24)

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Authorize information on the FT-SE Actuative Share indices is published in Saturday issues. Lists of constituents are available from the Firancial Times Linkad, One Southwark Bridge, London SEI Brid. The FT-SE Actuative Share Indices Service, which covers a range of electronic and poper-based products traced, the Southwark is included from FRSTAT at the same address. The FT-SE Mid 250, FT-SE Actuative 550 and the FT-SE Actuative Midsatry Pile FT-SEV 100, the FT-SE Mid 250, FT-SE Actuative 550 and the FT-SE Actuative Midsatry Pile FT-SEV 100, the FT-SE Mid 250, FT-SE Actuative 350 and the FT-SE Actuative Al-Share Indias to National and the FT-SE Actuative Al-Share Indias to National are calculated by the International Stock Exchange of the United Mingdom and Republic of Instant Cauchy of Actuative United Stock Exchange of the United Mingdom and Republic of Instant Linkad Stock Exchange of the United Mingdom and Republic of Instant Linkad Stock Exchange of the United Mingdom and Republic of Instant Cauchy of References Times Linkad 1894. All rights reserved.

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# FT Cityline Unit Trust, Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4376 for more details.

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**Money Market** 

MONEY MARKET FUNDS

#### **CURRENCIES AND MONEY**

**MARKETS REPORT** 

#### Caution before US move

Jan 1994

1.5065 1.5075 1.5084

to the D-Mark.

drachma. Overnight money was at 200 per cent, with the drachma steady at Dr148.30/35

The Lira finished at L956.6 from L961.5 against the D-Mark, helped by the belief

that prime minister Mr Silvio

Berlusconi will win the confidence vote in parliament

■ In Germany, the repo rate is

expected to fall by about 5-8

basis points today after the

Bundesbank announced another variable rate repo. Call

money was steady yesterday at

5.35/50 per cent, compared to

the existing repo rate of 5.35

After the Bundesbank cut its official rates by 50 basis points

last week, the market specu-

lated that the repo rate might

fall by as much as 10-15 basis

points. That position has since

been abandoned and most ana-

lysts are predicting a more

modest move. Ms Phyllis Reed. European

fixed income strategist at BZW, said the Bundesbank had suc-

ceeded in arresting the pessimism about the extent to

which German interest rates

were still likely to fall. It was

thus "perfectly reasonable to return to a dull, few points per

The Bundesbank, she said,

could not be expected to main-

week, rate of cuts."

High 94.59 94.88 94.83 94.74

-0.03 -0.04 -0.03 -0.01

+0.07 +0.09 +0.10 +0.10

94.55 94.84 94,78 94,70

95.04 94.37 93.87 93.65

Est. vol. Open int.

10,477 12,979 5,979 5,924

60.754 42,451 37,195 33,247

1.72

1.64

Foreign exchanges spent a nervous session in London as markets went through the day positioning ahead of the US Federal Reserve's eventual decision to tighten monetary policy, writes Philip Gawith.

In the run-up to the announcement of an increase in the 3 per cent discount rate to 3.5 per cent, and comments by a Fed spokesman that the Fed wanted to see a 50 basis point rise in the Fed funds rate, markets had eyes for little else beyond the meeting of the policy-making Federal Open Markets Committee. The market had been widely discounting a 25-50 basis point rise in the funds rate, and the possi-

bility of a discount rate rise. The Fed's failure to lift rates at the normal funding time (15h30 GMT) left observers thinking that the tightening was likely to have been a more complicated proposition than

The dollar, which edged higher after the Fed announcement had closed in London at DM1.6683, down from DM1.674 on Monday. Against the yen, it finished at Y104.380 from Y104,580.

Elsewhere sterling weakened against the D-Mark to finish in London at DM2.5095 from DM2.5174. The Greek drachma remained fairly steady as the central bank maintained a policy of high interest rates to defend the currency.

■ Mr Adrian Cunningham, per cent. senior currency economist at UBS, said the Fed's decision to add reserves to the system through overnight system repos had clearly been a holding operation.

The market's expectations were clear from the federal funds rate which stood at around 4% per cent at 15h30 GMT, the typical time for Fed action, against a then-official level of 3% per cent.

■ In Europe the D-Mark was generally slightly weaker, clos-ing in London at FFr3.426 against the French franc from FFr3.429. The Spanish peseta regained some ground to close at Pta 82.63 against the D-Mark from Pta 82.84

rom Pta 82.34. tain the aggressive pace of eas-In Greece, high overnight ing seen between the last two rates underpinned the sets of official rate cuts.

94.58 94.88 94.83 94.73

94.55 94.84 94.79 94.71

85.10 94.44 93.94 93.73

Ms Reed predicts a cut of, at most, five basis points today, Against the D-Mark (DM per \$) although she maintains the 1.78 view that 3-month money rates are likely to fall to about 3% 1.74 per cent by the end of the year.

Sterling traded in a very narrow range against both the D-Mark and the dollar. It closed in London at \$1.5043 from \$1.5039 on Monday. Against the D-Mark it finished slightly firmer at DM2.5095 from DM2.5174. Mr George Magnus, interna-

tional economist at S.G.War-burg in London, commented: "The events of the past week have taken some of the political risk premium, that had been accumulating in the cur-rency, away for a while." This had allowed the "growth story" to show through more promi-

nently.

Sterling's progress, however, is likely to be subject to no further setbacks for the dollar. If the dollar falls back, sterling is unlikely to be secure above

In the UK money markets, the Bank of England injected £571m liquidity into the system to clear a £550m shortage. Overnight money traded in the 4 to 4% per cent range.

Futures markets generally lost ground, with the prospect of higher US rates generally bad for short-term contracts. Some of the longer month short sterling contracts performed better. Amid modest volumes, the December contract closed nine basis points lower at 93.96 from 94.05.

Mr Richard Phillips, analyst at brokers GNL, said a large portion of the volumes came from a single sale by a European bank. He said trade had been nervous, with traders reluctant to take positions, but he predicted that the market was preparing for a decisive

The December euromark contract closed at 95.20 from

May 17	٤	s
Hungary	155.499 - 155.671	103.370 - 103.470
		1748.00 - 1750.00
	0,4480 - 0,4494	0.2979 - 0.2967
Poland	33855.0 - 33941.5	225101) - 2258010
Personal Per	2018.05 - 2023.57	1872.00 - 1877.00
UAE	5,5230 · 5,5260	3.6715 - 3.6735

JE OTHER CURRENCES

May 17		Closing mid-point	Change on day	Sid/offer spread	Day's high	bilM a	One pro Rate	MATH MATH	Three m Rate	16PA	One yo		Benk of Eng. Index
Екторе													
Austria	(Sch)	17.6531	-0.051	484 - 598	17,7117	17.6399	17,6483	0.3	17.6437	0.2		_	113.6
Belglum	(BF:			022 - 796			51,6359		51,6459	0.0	51,4159	0.4	
Denmark	(DK)	9.8255	-0.0259	223 - 286	9.8484	9.8210	9.8332	-0.9	9.8413	-0.6	9.8587	-0.3	114.9
Firstand	(FM)			772 - 950	8.2110	8.1725	-	-			-	-	
France	(FFr)	8.6001		964 - 038	8,6321	8.5900	8.6058	-0.8	8,6087	-0.4	8.5751	0.3	
Germany	(DM)	2.5095	-0.0079	087 - 103	2 5232	2,5060	2.5102	-0.3	2,5000	-0.1	2,4887	a.a.	123.2
Grayce .	(Dr)			886 - 213	373.139	370.535		-		-		-	-
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italy	ii)	2401.01		948 - 254	2423.37	2397.75	2406.71	-2.8	2416.41	-2.6	2447.06	-1.9	78.5
Luxembourg	(LFr)			022 - 796	\$1.7960	51.5800	51,6359	0.1	51.6459	0.0	51,4159	94	
Netherlands	Ì (Fi	2.8155	-0.0108	143 - 167	2.8284	2.8110	2.8151	0.2	2.8148	0.1	2.7919	Q.A	
Norway	NKo	10.8688		655 - 721	10.9044	10,8600	10.8632	0.6	10.8757	-0.3	10,8689	0.0	85.2
Portugal	Œ	25B.656		538 - 774	259 475	258.520	259.631	-4.5	261.57B				
Social	(Pad	207.436		326 - 548		207.210					211,556	-20	. 84.4
Sweden	(SKr)			494 - 645		11,6470			11.709		11,798	-12	
Switzerland	(SFn	2.1345		334 - 356		2.1330	2.1327	1.0	2.1261	1.2	2.0965	1.8	117.4
UK	(8)			-			-			~-			80.2
Eczi		1.3008	-0.004R	003 - 012	1.3054	1,2995	1.3016	-0.7	1,3024	-0.5	1,2988	0.1	
SDRT	-	0.937987											_
Americas													
Argentine,	(Peso)	1.5033	+0.0027	029 - 036	1,5037	1.5001	-	-		-	-	-	_
Brazil	- KCri	2386.5t		610 - 682	2387.00	2343.00	_	_	-	-	-		_
Carteda	(CS)	2.0737		730 - 744		2.0674	2.0751	-0.8	2.0768	-1.0	2.0983	-1.2	87.1
Mexico (Ne	w Peso)	5.0122		038 - 205	5.0225	5.0030	-	-				_	_
USA .	(5)	1.5043	+0.0004	040 - 045	1,5062	1.5015	1,5033	8,0	1.5024	0.5	1.5028	0.1	65.6
Papilic/Midd	o Casti	Africa		•								,	
Augitaile	(AS)	2.0858	-0.0068	645 - 686	2.0756	2.0635	2.0649	0.4	2.0633	0.4	2.0623	0.2	_
Hong Kong	(HKS)	11.6226		199 - 253	11.6300	11.6028	11.6145	0.8	11.6107	0.4	11.6375	-0.1	_
ndia	(Pha)	47.1865	+0.0107	730 - 999	47.2140		-	-	-	-	-	-	_
lapan	(7)	157.014		942 - 085		156,800	156,599	3.2	155 <i>.8</i> 19	8.0	151.989	32	185.3
Maioysie	(M2)	3.9352		330 - 373		3.9250	<b>-</b>		-	-	-	-	-
New Zeeland	(NZS)	2.5881		666 - 696		2.5829	2.5674	0.3	2.5709	-0.4	25775	-0.4	-
Philippines	(Peso)	40.8028		080 - 976			-	-	-	-	-	-	-
Sauci Arabia	(SFQ	5.6414		402 - 425		5.6314	-	-	-	-	-	-	-
Singepore	, (SS)	2.3309		297 - 320		2.3281	-	-	-	-	-	-	-
S Africa (Com		5.4985		964 - 005		5.4860	-	-	-	-	-	-	-
S Africa (Fin.)	(F)	7.3408		245 - 570		7.3170	-	. •	-	-	-	-	-
South Kores. Faiwan	(Won)	1212.88 40.3891			1213.74 40.4200		-	-	•	-	-	-	-
i arwari Thailiand	(T\$) (Bt)	40.3591 37.9523		309 - 736	37.9910		-		-	-		-	
	7			and Spot teible				-			_ · •	-	-

DOLLAF	SP	OT FOR	WARD	AGAINS	THE	DOLLA	2						
<b>Ley</b> 17		Closing mid-point	Change on day	Bid/offer spread	Day's high	i mid low	One mo	esth %PA	These me	onths %PA	One yo	#PA	J.P Morga Index
шторе											-		
ustria	(Sch)	11.7355	-0.037	330 - 380	11.7725	11.7300	11.7435	-0.8	11,744	-0.3	11.6438	0,8	103.1
elgtum	(BFr)	34.3300	-0.13	100 - 500	34,4550	34.3100	34.355	-0.9	34.37	-0.5	34.225	0.3	184.4
enmark	(DKt)	6.5318	-0.019	308 - 328	6.5517		6.5408	-1.7	6.5493	-1.1	6.5408	-0.1	103.7
intend	(FM)	5.4420	-0.0115	370 - 470	5.4621		5.4437	-0.4	5,4452	-0.2	5,447	-0.1	78,4
rança	( <del>FFr)</del>	5.7172	-0.0224	157 - 187	5.7425	5.7155	5.7239	-1.4	5.7291	-0,8	5.705	0.2	104.0
emteny	(0)	1.6683		680 - 685	1,6747		1,6699	-1.1	1.67	-0.4	1.6561	0.7	104.7
reace	(Dr)	247.000		<b>600 - 40</b> 0		246,800	250.75	-182		-18.0	287	-162	69.7
eland	(EE)	1.4718		710 - 727		1.4635	1.4703	1.3	1.4884	1.0	1.4659	0.4	-
aly	<b>(4)</b>	1596.15	-13.09	540 - 690		1595.35	1600.9	-3.6	1606.05		1627.15	-1.9	78.7
gruodinau	(LFr)	34.3300	-0.13	100 - 500	34.4550	34.3100	34.355	-0.9	34,37	-0.5	34,225	0.3	104.4
etherlands	(円)	1.8717	-0.0077	712 - 722	1.8805		1.8728	-0.7	1.8732	-0,3	1.8582	0.7	103.8
crway	(NK)	7 <i>.2</i> 254	-0.0283	244 - 264		7.2240	7.2294	-0.7	7,2299	-0.2	7.2054	0.3	95.1
ontugal	(Es)	171.950		900 - 000		171.800	173.035	-7.6	174.576	-6.1	178.75	-4.0	92.9
palin	(Pta)	137.900		850 <b>-</b> 950		137.800	138.325	-3.7	138,935		140,575	-2.0	79.5
Weden	(SK)	7.7494	•	456 <b>-</b> 531		7.7450	7.7874	-28	7.7904	-21	7.8544	-14	82.2
witzerland	(SFr)	1.4190		185 - 195	1.4280		1.4188	0.2	1.4167	0.6	1.3982	1.6	103.
K	(2)	1.5043		040 - 045	1.5082	1.5015	1,5033	0.8	1,5024	0.5	1.5028	0.1	89.2
CLU	-	1.1565	+0.0044	<b>562 - 567</b>	1.1586	1.1518	1,155	1,5	1.1537	1.0	1.1571	0.0	
DR†	-	1.40742	-	-	-	-	-	-	-	-	-	-	•
mericas													
rgentina.	(Pasa)	0.9994		993 - 994	0.9994		-	-	-	-	-	-	-
azi	(Cr)	1586.51	+26.33	650 - 652	1586.55	1586.48	-	-	-	-	-	-	
aneda	(CS)	1,3788	+0.003	783 - 788	1.3810	1.3757	1,3805	-1.7	1.3836	-1.5	1,3964	-1.3	83.8
endço (New	Pesc)	3.3320	+0.007	270 - 370	3.3370	3.3260	3.333	-0.4	3.3348	-0.3	3,3422	-0.3	-
SA	(5)	-	-	-	-	-	-	-	-	-	-	-	100.
ectic/Middle	East/	<b>Unice</b>											
ustralia	(AS)	1.3732	-0,0049	727 - 736	1.3798	1,3702	1,3745	-1.1	1,3791	-1.7	1.3898	-1,2	86.7
ong Kong	(HKS)	7,7265	-	260 - 270	7.7270	7,7259	7,7295	-0.5	7.7355	-0.5	7.7602	-0,4	
dia	(FIs)	\$1,3688	-0,0012	650 - 725	31.3725	31,3650	31.4338	-25	31.5688	-2.6	-	-	-
pan	m	104.380	-0.2	350 - 410	104,930	104,250	104,175	24	103.715	2.5	101.14	3.1	146.1
alaysia	(MS)	2,6160	+0.0045	150 - 170	2.6260	26118	2.609	3.2	2.5835	3.4	2,858	-1.5	
ew Zestand	(NZS)	1,7072	+0.0014	065 - 079	1.7085	1,7053	1,7084	-0.9	1,7129	-1.3	1.7948	-1.8	
allippines	(Peso)	27,1250	-	000 - 500	27.2500	27.0000	-	-		-	-	-	
audi Arabia	(SFI)	3.7503	+0.0003	501 - 504	3.7505	3.7500	3.751	-02	3.7533	-0.3	3.7648	-0.4	
ngapore	(55)	1.5495	-0.0012	490 - 500	1.5510	1,5490	1,5489	0.5	1.5484	0.3	1.547	0.2	-
Africa (Corr.)		3.6553	-0.008	545 - 560	3.6740	3,6510	3,6718	-5.4	3.6978	-4.7	3.7908	-9.7	-
Africa (Fin.)	iri	4.8800		700 - 900	4.9400	4.8550	4.914	-84	4.974	-7.7	_	-	_
outh Koree	(Won)	805.300		200 - 400	806,400	.,	809.3	-4.5	8128	-3.2	831.3	-5.1	
iwan	(12)	26,8500		500 - 500	26.8500		28,9155	-29	27.016	-25			
alland	680	25,2300		200 - 400	25,2500		25.31	-38	25,435	-33	25,955	-29	

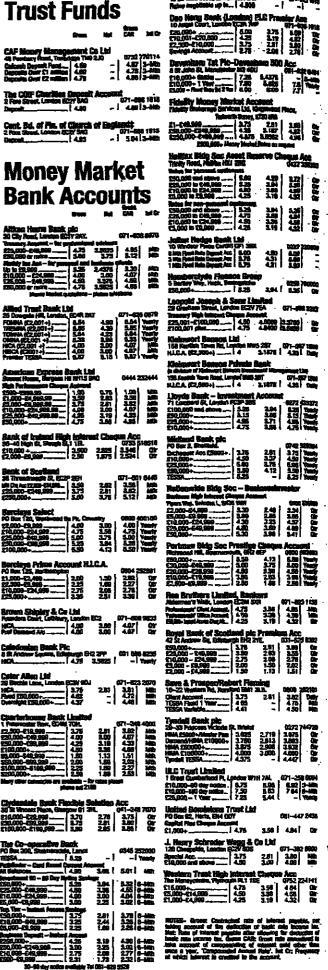
CROSS	RATES	AND	DER	VATIV	ES																		-	
EXCHA	GE CR	088	ATES	}								-				_	_		FMS EU	RÓPEA	N CURRI	ENCY UN	IT RATE	
May		BFr	DKr	FFr	DM	Æ	L	я	NKT	Es	Pta	SKr	SFr	£	C\$	\$ -	Y	Ecu .	May 17	Ecu car		Change	% +/- from	
Belgium	(BFr)	10	19.03	16.65	4.861	1.979	4549	5.453	21.05	501.0	401.6	22.58	4,134	1.936	4.016	2.912	304.0	2.519		rates	against Ec		C841. (2318)	<u> </u>
Denmark	(DKr)	52.55 60.05	10	8.752 10	2.554 2.918	1.040	2444 2792	2.966 3.274	11.08 12.64	263.3 300.6	211.1	11.87 13.56	2.173	1.018	2.111	1.531	159.8	1.324	treland Netherlands	0.808828		-0.00008 -0.00008	-2.68	
France Germany	(DMG)	20.57	11.48 3.915	3.426	1	0.407	956.6	1.122	4.331	103.1	241.2 82.83	4.645	2.483 0.851	1.163 0.398	2.412 0.826	1.749 0.599	162.6 62.55	1.513 0.518	Belgium	2.19872 40.2123		+0.0035	-1.28 -1.10	
treland	(12)	50.53	9.614	8.415	2.456	1	2349	2.755	10.64	253.1	202.9	11.41	2.089	0.978	2.029	1.472	153.6	1.273	Germany	1.94964			-0.91	
italy Nativerlands	(F)	2.151 18.34	0.409 3.489	0.358 3.054	0.105 0.891	0.043	100. 852.6	0.117 1	0.453 3.860	10.77 91.87	8.638 73.65	0.488 4.141	0.069 0.758	0.042 0.355	0.086 0.737	0.063	6,539 55.75	0.054 0.462	Prance Demoerk	8.53885 7.43679		-0.00115 +0.00882	1.30 1.74	
Norway	(NKG)	47,51	9.040	7.912	2.309	0.940	2209	2.591	10	238.0	190.8	10.73	1.964	0.920	1,908	1,384	144.4	1.197	Portugal	182.854	199,179	+0.012	3.28	
Portugal Spain	(Es) (Pta)	19.95 24.90	3.798 4.738	3.324 4.147	0.970 1.210	0.395	928.1 1158	1,089 1,358	4,202 5,241	100. 124.7	80.17 100.	4,507 5,622	0.825 1.029	0.387 0.482	0.802 1.000	0.581 0.725	80.69 76.70	0,503 0,627	Spain	154.250	159.977	+0.397	3.71	
Sweden	(SKr)	44.29	8.427	7.378	2.153	0.877	2059	2415	9.322	221.9	177,9	10	1.831	0.858	1.779	1,290	134.6	1.116	NON ERM M					
Şwitzerland LiK	(SF1) (S)	24.19 51.84	4.602 9.826	4.028 8.600	1.176 2.510	0,479 1,022	1125 2401	1.319 2.816	5.091 10.87	121.2 258.7	97.14 207,4	5.461 11.65	1 2.135	0.468 1	0.971 2.074	0,704 1,504	73,54 157.0	0.609 1.301	Greece Italy	264,513 1793,19		+0.562 -8.11	8.31 3.35	
Canada	(CS)	24.90	4.738	4.147	1,210	0.493	1158	1,358	5.241	124.7	100.0	5.622	1.029	0.482	1	0.725	75,70	0.627	UK	0.786749		+0.00021	-2.26	
US Japan	(S)	34.34 328.9	6.533 82.59	5.718 54.78	1.669 15.99	0.680 8.510	1 <i>6</i> 96 15293	1.872 17.94	7 <i>.22</i> 7 69.24	172.0 1648	137.9 1321	7.753 74.27	1.420 13.60	0.665 6.389	1.379 13.21	1 9,580	104.4	0.865 8.297	Ecu central cent Percentage char	sex by the E lease are for E	Suropeen Commi	esion. Currencies 1809: denotas p	ere in desceri week Cummer.	dang n
Ecu	(,,	39.69	7.553	5.610	1.929	0.786	1848	2.164	8.355	198.8	159.4	8.962	1.641	0.769	1.594	1,156	120.7	1	ratio between tw	ro spreeds: Ø	he percensage di	flerence between ercentage disdeti	the ectual mix	rket ar
Yen per 1,000.	_				orer, See	Sets Kron	or and Bes	gian Franc (											Ecu central rate (17/9/92) Storing					•
H D-MARK	Open	(IMM) DIV Latest	125,000 Change	<del></del>			st val	Open Int.		_	Open	Latest	(IMM) Yen Change	12.5 per High		w E	st. vol	Open int.	N PHILADE	PHEA SE	2/\$ OPTION	£31,250 (cen	s per pound	0
Jun	0.5971	0.5980	+0.0009	0.598	5 0.5	966	18,353	114,739	Jun		D.8555	0.9588	+0.0031	0.960	4 0.95	549 10	6,399	57,883	Strike Price		CALLS -	Auc		PUT
Sep Dec		0.5981 0.5988	+0.0009	0.598	4 0.5	978	<b>509</b> 7	8,284 216	Sep Dec		0.9626 0.9710	0.9660	+0.0033				440 59	5,286 962	1,425	Jun 7.62	Jul 7.66	Aug 7.84	Jun -	Jul 0.1
	-		-	•		-	•	-10	200	•		J.J. 70	- 0.000	w314	~ 4.31			-02	1.450	5.23	5.50	5.83	0.01	0.3
e swiss fi	ANC FITT	ines ou	M) SFr 12	25.000 r=	r SFr				<b>= 3</b> 7	ERI NO	FUTUR	ES (MIA	982,500 p	er 2					1.475 1.500	2.97 1.28	3.57 2.10	4.05 2.51	0.24 0.99	0.9 1.9
			+0.0011		_	107	5.072	36,372	. <u>= = :</u>		1.5022	1.5024	+0.0008	1.505	0 1.50	HO -	1.918	43.906	1.525	9.37	1.09	1,61	2.52	3.3
Jun Sep		0.7020 0.7039	+0.0019	0.705	2 0.7		301	898	Sep		1.5020	1.5030	+0.0018	1.509	0 1.47		48	2,494	1,550 Previous day's v	0.05 al. Cath. 5 64	G.49 17 Puta 4.182 . P	0.91 Trav. clay's coor i	4.69 nt. Calls 449.5	5.21 1988 Pu
Doc	- '	0.7075	-	0.707	5 -	•	5	342	Dec		-	1.5030	-	1.503	0 -	•	8	43		-,,-				
SWODE C	HITER	ee r	ATE		** :										بحقة				UK INT	2012	DATES			
هجيب محدود		- 1.			V V				- T	eren er		SPORTAGE.	K PUTUR	es a lette	ar DM1m	nointe o	£ 100%							
MONEY May 17	KA (ES Ow	r One	Three	Six	One	Lomb	. Dis.	Перо			Open	Sett price	Change	High	Lôv			Open Int.	May 17		Y RATES Over 7 da	_	Three	,
	nigh				year	inter.	rate	गर्मक	Jean		95.07	95.06	-0.02	95.07			4894	182984	} <del></del>		night notic		months	mo
Balgium	5.5			5&	54	7.40	4.50		Sep		95.33 95.24	95.27	-0.07	95.33 95.24			5298	188254	Interbank Starti	ng 4	3-4 5-4		516 - 516	5%
week ago France	5\ 5\			5 <u>4</u> 5½	5% 5%	7.40 6.50	4.75	6.76	Dec Mar		95.15	95.20 95.13	-0.05 -0.04	95.24 95.15			6317 6054	207794 198765	Starting CDs Treasury Blis		: :	5실 - 4립 4월 - 4월		533
week ago	5	544	52	5%	574	5.70	-	6.75	<b>=</b> 73	<del>THE</del> IX	ONTH EL	UROLIRA	UYT.RATI	<u>FUTUR</u>		E) L1000	m points	of 100%	Bank B#s	_		44 - 44	44 - 47	51 <sub>8</sub>
Germany week ogo	5,4; 5,5			4.98 5.08	4.98 5.04	6.00 6.50	4,50 5.00	5.41 5.47			Open	Sett price	Change	High			t, vol (	Open Int.	Local authority Discount Marke			4% 5% - 4% 4% -	516 - 516	512
Impland	5;	5%	6	62	61	-	_	6.25	Jun Sep		92.36 92.50	92.37 92.53	+0.01 +0.02	92.38 92.53			1195 1955	33719 49779	l	-		•		
week ago italy	5) 73		71	6 <u>4</u> 74	6 <u>8</u> 72	Ξ	7.00	6.50 8.10	Dec		92.35	92,40	-0.02	82.40	92,3	4 1	890	50511	UK dearing be	nk base len	ding πatas54-ip tipt		abrussy 6, 196 3-6	94 _
week ago	83		70 5.06	78 5.02	7 <u>2</u> 5.00	-	7.50 5.25	8.10	Mar		92.21	92.25	- IS FRANC	92.26	92.2		388	12772	\				months	то
Netherlands week ago	5.12 5.21				5.10	=	5.25	=	<u> </u>	FOR M	Open	Sett price	Chance	High		5) 8Frim			Cents of Tax de		•		334	3
Switzerland week ago	4. 4.	4%	44	41	41	6,625 6,625	3.50 3.50	_	Jun		96.10	96.08	-0.02	96,10			1687	Open int. 21257	Certs of Tax dep Ave, sender rate	, under £100, of discount 4	,000 is 1½pc. De ,8668pc. ECGD 1	poets withdrawn beed rate Stig. Ex	tor cash 4pc. port Finance, i	Males :
US US	4,	44	4%	51	5%	-	3.00	_	Sep	•	96.15	96.15	-0.02	96.16	96,1	4 1	114	12341	1994. Agreed rat period Apr 1, 199	a for period 1 14 to Aor 29.	Any 25, 1954 to 1984, Schemes	Jun 25, 1994, Sc N & V 6,200pc, P	herries V & 18 8 Ingrice House	Lifepe.
week ogo Jacan	3			5 <u>2</u> 2%	54 21	Ξ	3.00 1,75	-	Dec Mar		96.06 95.89	96.07 96.89	+0.01 +0.01	95.08 95.89	96.0 95.8		830 40	5395 768	May 1, 1994					
week ago	25			2%	24		1.75		<b>II</b> 178	FEE MC	NTH EC	וטוטין עב		Ecu1m	points of	100%								
S LIBOR		49-	411	F-1	EH						-	Sett price	Change	High				Open Int.	H THREE MC	MIH STE	RLING FUTU	ROOM (LUFFFE) 22	500,000 pokr	ts of
Interbank Fl week ago	. <u>Printy</u>	4%	4 <u>1</u> 4 <u>1</u>	5% 54	5 <u>1</u> 5 <u>2</u>	=	Ξ	Ξ	Jun Sep		94.48 94.85	94,45 94.60	-0.05 -0.06	94,48 94,65	94.4 94.5	-	709 561	10543 12268			att price Char		Low	Est
US Dollar C	Ds -	4.20	4.48	4.91	5.50	-	-	-	Dec	ě	94.56	94,51	-0.05	94.55	94,5	0 ;	304	7616	1 :- '		4.68	94.69	94.65	83
week ago SDA Linked	Ds ·	- 4.20 - 3%		4.99 43	5.80 48	_	-	_	Mar	-	94.33	94,30	-0.04	94,33	94.3	10	106	3055			94.39 -0.0 33.96 -0.0		94.36 93.94	15 16:
week ago	•	3%	4	43	48	-	-	-		E futures t	June Direct	- T							Mar (	33.51 9	3.50 -0.0	39 93.52	93.47	53
ECU Linked D. r.des JP 이라다	d rates for \$1	Orm outstee	to the m	what by for	ar reference	e bonks i	at 11am es	ich working											Tracked on APT.	All Open inte	west figs. are fo	previous day.		
day The banks Number are a	are: Bankers	Trust, So domestic	nk of Toky Money Red	o, Bercleye	and Nati	onal Wes	minster. d Deposits	i (Cs).					AR (MM)		ts of 100									
EURO C									h		Open SE 64	Latest	Change	High	Lou			Open int.	E 04/07 07		erione a les	E) 0500 000		
May 17	Short Manuary		i isinisi Jaya	One One	Three		Sh.	One	Jun Sep		95.04 94.37	95.07 94,39	+0.04 +0.03	95.03 94.38				408,030 431,847	SHORT ST			C) LOUDOU D		_
	term			month	nionite		inths	Aees	Dec		3.87	93.89	+0.02	93.91				415,618	Strike Price	Jun	CALLS; Sep	Dec	Jun	Sap
Belgran Franc	5l <sub>2</sub> - 5		5 <sup>3</sup> e 5	4 - 5%	5/4 - 5/	51 <sub>2</sub>	- 53, 5	Sq - 5 <sup>1</sup> 2											9450	0.20	9.17	0.14	0.02	0.28
Danish Krone	71 <sub>2</sub> - 6			1 - 512 2 - 51	5 <sup>3</sup> 4 - 5 <sup>3</sup>	2 5%		注 - 5½ 提 - 4报	<u>کا 8</u>	TREAS	URY DE	L FUTUR	es (MM)	\$1m per	100%				9475 9600	0.05 0.01	0.08 0.03	0.06	0.12	0.44
D-Mark Dutch Guider	5½ - 5 5½ - 5	512	- 514 :	2 5.2 54 5	56 - 4			16 - 46 5 - 4%	Jun		15.47	95.52	+0.05	95,52	95.4	7 1		22.854	Est. vol. total. C			0.04 day'a ocen inc	0.33 Calla 176875 :	0.64 Pub. 1
French Franc	573 - 5-	L 512	5H 5	4 - 55 <sub>8</sub>	57. 5	, 61 <sub>2</sub>	. 5 <sup>3</sup> 1, 5		Sep	9	4.85	84.88	+0.02	94.88	94.8	<b>5</b> 5 5	335	10,978				= upon 1 = Mag		1
Portuguese El Socialisti Pesel		75	. 7.% 7	5g - 115g 5g - 77				마, 91. 김 - 7분	Dec	9	34,42	94.46	+0.03	94,47	94.4	12	48	7,090						
Sterling	44 - 4	2 412	412 5	3.5∆	75a - 7 <sub>1</sub> 8 <sub>16</sub> - 5 <sup>1</sup>	6-8	· 5 <sup>1</sup> 4 5	₩ - 5¦}	All Opt	un inforest	Sgs. are 1	for previous	ctay											
Swise Franc Can. Dollar	4½ - 4 5¼ - 5			4 5 k	4	6 82	- 6%	4 - 312 7 - 6%		HOMAR	K OPTK	DAYS (LIFF	9 DM1m p	olnts of 1	100%						BASE I F	NDING R	ATFS	
US Pollar	4 - 4 0 - 71		-4 4	₹ - 4¼	414 - 41	54	-5 5	# - 5 <sub>16</sub>	Strike			CVI	_			PUT								
malan Lira Yen	9 - 7կ Ը <sup>լ</sup> ն - 2			ኔ - 7¼ 3 - 2 <sup>1</sup> s	74 - 7 <sup>1</sup> 24 - 2 <sup>1</sup>			ሻ - /ዓ ଓ - 2ዟ	Price		qun	Se	•	Dec	Jun	Sep		Dec	Actes & Como	% 52 52	_	9 2011	Ξ.	
Asian \$Sing	34 - 3	4 3%	3 k 4	44	434 - 45	56	- 51 5	별 - 2월 월 - 5월	9500 9525		0.10 0.02	0.3 0.1		.33 .20	0.04 0.21	8.05 0.13		0.13 0.25	Alled Trust Ba	rk52	≶ Exemen Be	ank Urnhed 6	25 Como	nigger Arighe (
Short term ratio	are call for	the US Do	Mar and Y	er, others	two days	notice.			9550		0.01	0.0		.11	0.45	0.25		0.41	AIB Bank		芩 Finencial	& Gen Bank		رگال بر

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Ireland	0.808828	0.788976	•		6.57	
Netherlands Belokun	2.19672 40.2123	2,16867 39,7687			5.06 4.87	
Germany	1.94964	1,93190	-0.00008	-0.91	4.67	•
Prance Dewoerk	8.538#3 7.43679	6,62389 7.56648			2.38 1.94	
Portugal	192,854	199,179	+0.012	3.28	0.42	-22
Spain	154.250	159.977	+0.397	3.71	0.00	-26
NON ERM M Greece	264,513	286,497	+0.562	8.31	-4.25	
Italy	1793.19	1853.18	-8.11	3.35	0.36	-
UK Englestation	0.786749 a sex by the Su	0.76 <b>89</b> 76	+0.00021	-2. <u>26</u> 	6.11 	
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Ecu contral rate						
	g and Ballen Us		•		•	inctal Tizyes.
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Strike Price	Jun	– CALLS – Jul	Aug	Jun	- Puts Ju	Aug
1.425	7.82	7.66	7,84		0.11	0.35
1.450 1.475	5.23 2.97	5.50 3.57	5.83 4.05	0.01 0.24	0.38 0.94	0.76 1.45
1,500 1,625	1.28	2.10	2.61	0.99 2.52	1.90	2.48
1.550	9.37 9.05	1.09 0.49	1,61 0.91	4.69	3.32 5.20	3.86 5.63
Previous day's v	oL, Caste 5,847	Puta 4,182 . P	rav. dey's open	int, Calls 449	398 Puts 397	105
UK INT	EREST F	ATES				
	MONEY					
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	ta for period Me 94 to Apr 29, 19					
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	94.57 94	.68 -	94.69	94.65	8335	73428
		.39 -0.0 .96 -0.0		94.36 93.94	15408 16303	89277 129560
lar	93.51 93	.50 -0.0	93.52	83.47	5333	53284
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475 500	0.05 0.01	0.08 0.03	0.06 0.04	0.12 0.33	0.44 0.64	0.87 1.08
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WORLD STOCK MARKETS

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following good gains last week

the AEX index finished the

sion just 0.81 ahead at 413.81

early profit-taking with late

demand taking the general

index up 0.71 to finish at the

day's high of 334.91 in heavy

Banks, however, remained

ack for

under pressure with Banesia Pta25 easier at Pta1,120. Argen-

taria lost Ptal00 to Pta6,000

and Santander was marked

Agroman, the construction company, was the day's leader,

ISTANBUL rose 3.55 per cent

on a technical rebound follow-

ing a reduction in interest

rates. The composite index my

on 549.02 to 16,032.68. On Mon-

day the index lost 1 per cent.

ATHENS ended slightly

lower in light trading as inves-tors remained worried about

the prospect of devaluation.

The general share index lost

7.95 at 944.94. Turnover was

index moved forward 34.20 to

PLDT put on 50 pesos ai

1,955 pesos, San Miguel "B"

increased 5 pesos to 235 and

Manila Electric added 5 peacs

**ROMBAY's 30-share index** 

registered a 41.59 decline at

3,802.50 after index-weighted

shares fell, but the broader market was steady after a dull

Hopes remained high, how-ever, that forward trading will

be allowed to resume after a

meeting of the Securities and

Exchange Board of India on

Friday. The old *badla*, or carry

forward system, was banned in mid-March on the grounds that

it led to excessive speculation.

heavy buying of polyester

stocks, reflecting expectations

KARACHI ended firmer on

turnover of Pts36.59hn.

Pta80 lower at Pta6,350:

rising Pta75 to Pta825.

MADRID overcame some

# Dow surges on rise in discount rate

US share prices were mixed vesterday morning as investors awaited a decision by the Federal Reserve on monetary policy, writes Frank McGurty in

New York. When the Fed eventually announced a rise in the discount rate from 3 per cent to 3.5 per cent, shares immediately surged and by 3pm the Dow Jones Industrial Average was up 37.45 at 3,708.95, having been some five points lower a

couple of hours early.

The more broadly based Standard & Poor's 500 rose with the Dow and, having been marginally down at 1pm, was up 4.28 at 448.77 two hours

The Fed also indicated a 50basis-point rise in fed funds

Mr James Volk of Jensen Securities in Portland, Oregon, said of the Fed's moves: "This is what the market was looking for."

Ahead of the Fed's move, the overall tone was generally pos-itive, except on the Nasdaq. The Dow blue-chip index held modest gains throughout the morning, even though higher rates could lead to a flagging economy and slower growth in corporate earnings during the rest of the year.

Investors evidently viewed the uncertainty surrounding the financial markets this year as an even greater threat to

equity values.

Many believe a fourth tightening of monetary policy especially if it were more aggressive than the previous three - would spell the end of the current series of rate increases, allowing stocks to resume a long, steady climb which stalled early in the year.

Yesterday's economic news went largely unnoticed. The Commerce Department reported that housing starts last month had fallen 2.5 per cent from March levels, suggesting the economy was grow-

ing a restrained pace.

The data added support to the view that the central bank would lift the bellwether Federal Funds rate by 25 basis points to 4.25 per cent, as it has in its previous three adjust-

Some market observers were hoping for an 50-point increase a hope later fulfilled because a bold strike by the Fed would likely be its last for

In its open market repur-chase activities just before midday, the central bank injected reserves into the banking system to hold the Fed Funds rate steady at 3.75 per

Amid the Fed watching. most stocks were treading water, but Alcoa added \$11/2 to \$69% and International Paper \$1 to \$64%.

The retailing sector was active as several leading chains reported first-quarter results. JC Penney shed \$1% to \$50% after disappointing the market with net income of 84 cents a share, against 78 cents

a year ago. By contrast, Dayton Hudson jumped \$21/2 to \$811/2 on a 37 per cent improvement in earnings. Technology issues were gen-erally weaker. Hewlett Packard

dropped \$2% to \$75%, in spite of reporting a 25 per cent increase in orders. Micron Technology was marked down \$2% to \$28% and Silicon Graphic lost \$1% to \$21%.

was led by Lotus Development. The computer software concern plunged \$45 to \$51% amid speculation, denied by the company, that its inventory levels had risen.

#### Canada

Toronto stocks continued to climb at midday, buoyed by strong gold and base metal shares. Strong groups were led by precious metals and consumer products, which offset declines in transportation and communications.

The TSE 300 composite index rose 10.40 to 4,218.70 in volume of 29.01m shares valued at C\$273.00m.

Advancing issues outpaced declines by 264 to 253, with 289 tocks unchanged. The gold and silver index

climbed 100.63 to 9,662.01. Franco-Nevada led gold stocks, up C\$1% to C\$73%. Kinross Gold was the most active gold issue, up C\$1/4 to C\$71/4 on 1.4m shares. The consumer products group gained 50.85 to 6,501.01. Heavily weighted Sea-

gram improved C\$% to C\$39% on 97,000 shares traded. Canadian base metals stocks continued to post gains, the index advancing 40.28 to 3,659.89. Inco was up C\$1/4 to C\$35, while Alcan Aluminium moved forward C\$% to C\$30%. Noranda was steady at C\$26\( on volume of 391,000

São Paulo traded 3.1 per cent higher at midday as investors focused on US monetary policy and, domestically, an expected congressional vote on a key

presidential decree. The Bovespa index rose 497 to 16.123 at noon.

Approval of the temporary presidential decree, which created Brazil's single price index on March 1, is regarded as a key element for the continuation of the government's antiinflation policy.

Telebras preferred rose 4.1 per cent to Cr47.40 while Electrobras preferred were 1.3 per cent higher at Cr230.

#### Mexico

Stocks opened cautiously higher as investors waited to see if the US Federal Reserve would raise interest rates. The IPC index of 37 leading

shares edged ahead 6.88 to 2,246.72 in early trade. After about an hour of trading, turnover was 11.2m shares. Advances topped

declines by 15 to 7. The biggest rises were in Cemex ACP shares, up 0.96 per cent, followed by Ttolmex B2 shares, gaining 0.92 per cent, and bottler Argos A shares,

est, Reuter reports.

index lost 19 at 1,835.

South African shares extended Monday's downward correction, ignoring more positive fundamentals and attracting little buying inter-

Dealers said steady selling in small blocks had impacted on price levels and gold's rally

above \$382 an ounce had done little to reverse

Shares have been making strong gains recently following the country's transition to

The overall index was 41 lower at 5,457, industrials fell 74 to 6,633 and the gold shares

Among the actives, De Beers eased 25 cents to R109 and Minorco declined R2 to R102.

# Lufthansa shows further weakness in Germany

The markets were generally lacklustre awaiting the outcome of yesterday's FOMC

FRANKFURT moved into retreat as Monday's record levels failed to inspire a follow on of momentum. The Dax index ased back 11.40 to 2,259.71 during the official session. Turn-

over was DM7.4bn. Sentiment was upset by news that Schneider debt was higher than anticipated, with estimates of between DM3.5bn to DM4bn.

This report affected the banks who are exposed to the property group with Deutsche Bank, for example, slipping DM10 to DM781.50.

Lufthansa continued to weaken on a further round of selling following disappointment over its results on Monday, the shares down a further DM1130 to DM19020 bringing accumulated losses since the start of the week to 8 per cent. In contrast, Volkswagen rose DM3.20 to DM528.70 on news that it was extending working hours at some plants. Nikko

Europe issued a buy recom-

mendation earlier in the week, noting that the restructuring programmes should begin to ear fruit in the near term. Furthermore, said Nikko, "Seat should report a considerable reduction in last year's loss of DM1.8bn, with a return to

profit in 1995 the target". PARIS took a long look at Eurotunnel which held a shareholders meeting yesterday to approve its rights issue plans. The group lost FFrl.30 to FFr35.10 but off a session low of FFr34.70 as the CAC-40 index rose 7.47 to 2,195.17.

Turnover was a moderate

Oil stocks were active as Merrill Lynch added Elf Aquitaine and OMV to its stock selection list and deleted Total and Repsol. Of the French groups Elf was FFr2.70 stronger at FFr429.70 while Total shed FFr4.90 to FFr342.10.

Lyonnaise des Eaux-Dume down FFr12 at FFr598, denied that it was planning to raise fresh capital, while Club Med slipped FFr1.90 to FFr446.10 as it forecast a better first half FT-SE Actuaries Share Indice 13,00 12.00 Housey changes ELSS September 100 1469-57 1470-51 1477-78 1473-10 1473-97 1475-97 1474-07 1478-91 May 18 May 13 May 12 May 11 May 10 1488.03 1480.06

MILAN began the new account in resilient mood, the Comit index rising 11.89 or 1.5 per cent to 801.62, as worries subsided about the outcome of today's parliamentary confi-

100 - 1476.67: 260

dence vote. Blue chips led the advance. Generali rose L1,567 or 3.3 per cent to L48,470, Fiat advanced L149 to L7,188 and Olivetti was L128 or 4.5 per cent higher at

L3.003. Ciga, the hotels group advanced L76 or 6.8 per cent to L1.188 in heavy volume of 36m shares amid speculation about stock building as its rights issue sold out.

Ferruzzi put on L149 or 7.1 per cent to L2.233 as the company launched its L1,340bn rights issue. Cir rose L134 or 4.7 per cent to L2,994 as its

blocked business in the rights throughout the session upward track as domestic buying, and an absence of foreign selling, took the SMI index 18.1 higher to 2.727.1.

Roche certificates added

L1.060bn rights issue began, although technical problems

ZURICH continued on the

SFr155 to SFr6,705 as presentations to analysts yesterday and on Monday were well received and details of the Syntex takeover appeared to be positive. The certificates have picked up 9 per cent since their low on May 9, following 1993 figures and the Syntex acquisition. However, analysts noted that

yesterday's demand came from Swiss banks, buying for their own account, and that sentiment remained fragile.

Nestlé, another recent weak performer, rose SFr20 to SFr1,135, on the perception that recent falls had been overdone. Brown Boveri rose SF113 to SFr1.275 ahead of today's first quarter figures, with some analysts forecasting a rise of up to 75 per cent in profit.
STOCKHOLM maintained a

strong run with Astra featuring ahead of first quarter results that came out after the close of business. The Affärsvärlden general index added

7.70 to 1,552.50. Turnover was SKr2.6bn. Astra reported a 15 per cent rise in first quarter pretax profits -the B shares ended the day up SKrl at SKrl61. Volvo, which releases its first quarter figures today,

picked up SKr13 in the B

AMSTERDAM struggled to find some incentive to move and, with the exception of a Fl 2.30 loss in KLM to Fl 53.20,

# Hesitant Tokyo mildly easier as Hong Kong falls 2.3%

Investors remained inactive ahead of the US Federal Reserve Board's Open Market Committee meeting, and the Nikkei 225 average declined on index linked selling by arbitrageurs, urites Emiko Terazono

easier at 20,133.53 after a day's ` low of 20,067.41 and high of 20,174.93. A fall in futures prices on the overnight Chicago market prompted a bout of arbitrage selling earlier in the session. Small-lot buying by overseas investors later

eroded some of the losses. Volume remained low, totalling 251m shares against 285m. The Topix index of all first section stocks dipped 2.58 to 1,636.43 and the Nikkei 300 lost 0.54 at 299.13. Declines led rises by 614 to 369, with 188 issues changed. In London the ISE/ Nikkei 50 index was 1.19 firmer

Market participants said many investors were still wary of any surprises from the spate of company earnings announcements and were reluctant to commit funds in spite of the yen's easing against the dollar.

Meanwhile, technical indicators were also worrying some dealers. "The three short term moving averages nearly converging, the lack of volatility and the very low volumes seem to be precursors of a sharp move up or down," said Mr Yutaka Nakai, analyst at High-technology stocks were

higher on buying by foreign investors. Hitachi, the day's most active issue, rose Y5 to Y1,000 and Toshiba put on Y3 at Y798. Large-capital steels

Johannesburg extends its correction

#### were also firmer, with Kawa-

saki Steel up Y2 to Y385. Some banks were lower on arbitrage selling. Dai-Ichi Kangyo Bank slipped Y10 to Y1,950. Profit-taking depressed real estate and pharmaceuticals shares, previously bought as laggards. Mitsubishi Estate receded Y20 to Y1,220 and Tak-

eda Chamical Y30 to Y1,230. The rise in gold and copper prices buoyed mining shares. Dowa Mining advanced Y12 to Y585 and Sumitomo Metal Mining added Y13 at Y925.

The low volume encouraged individual investors' trading in speculative stocks. Ga-jo-en Kanko forged ahead Y27 to Y184 and Wakachiku Construction gained Y9 at Y669. Brother Industries, however, relinquished Y13 to Y706 on profit-

taking. In Osaka, the OSE average shed 57.55 to 22,366.93 in volume of 20.4m shares. Aoyama Trading, the men's suits retailer, fell Y120 to Y4,180.

#### Roundup

Regional markets continued mixed, awaiting the outcome of yesterday's FOMC meeting. HONG KONG closed sharply lower as the brief detention of a prominent Beijing dissident raised worries about the renewal of China's Most Favoured Nation trade status with the US in a market already cautious about US

The Hang Seng index dropped 208.71, or 2.8 per cent, to 9,044.70. Turnover came to HK\$4.88bn, against a revised HK\$4.10bn on Monday.

The market was also speculating about a possible early agreement with China on financing Hong Kong's new air-

Pockets of strength included a R2.50 gain to R95 for JCI, a R3 advance for Anglovaal to

R138 and a 25-cent rise to R32.50 for Remgro.

strong R3 climb to R58 after reporting a 48 per

cent increase in attributable earnings to R80m

Parent company Investec Holdings posted

earnings per share of 164.7 cents, up from 122.4 cents, and was bid R1 higher to R45. Investec also said it would proceed with a R180m rights

issue, terms of which are yet to be announced.

South African Breweries receded R2.50 to

R100 and Iscor softened 6 cents to R3.36, while gold issue Vaal Reefs slipped R7 to R373.

for the year to March 31.

to fund further expansion

Independent banker Investec Bank made a

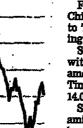
#### Hang Seng Index 10,500 10,000

9.500 \*\*

8.500 8.000 Mar 1994

British Airport Committee will meet on Friday to discuss the issue emerged after the market

Among blue chips, HSBC slid HK\$2.50 to HK\$83.50, China Light HK\$1 to HK\$40.75, Swire Pacific "A" HK\$2 to HK\$55.50 and Hutchison HK\$1 to HK\$30. TAIPEI retreated 1.6 per cent as profits were taken following



weighted index fell 98.95 to 6,015.83 in T\$67.3bn turnover. Financials led the falls, with China Development down T\$3.5 to T\$129.5 and Cathay Life los-

the market's recent rally. The

ing T\$6 to T\$257. SINGAPORE was steady with selective buying seen among blue chips. The Straits Times Industrial index finished 14.08 higher at 2,304.49.

Shipyard stocks were firmer amid talk that a foreign brokerage was issuing covered warrants on a basket of shipyard companies

KUALA LUMPUR was easier after a moderate session, a spate of selling near the close having pushed the index down from an early high. The composite index settled 5.88 off 981.96 in volume of 76.4m

Telekoms, facing a competitive telephone system, weakened 90 cents to M\$18.70. SYDNEY retreated after Monday's sharp gain. The All Ordinaries index finished 14.9 2,094.8. Turnover was A\$548m. BHP slipped 30 cents to A\$17.94, Western Mining dropped 23 cents to A\$7.85 and Pasminco shed 15 cents to

A\$1.80. CRA contrasted with a

rise of 8 cents to A\$18.46. Turnover amounted to A\$560m. In the banking sector, ANZ slipped 7 cents to A\$4.75, Westpac dipped 4 cents to A\$4.98 and National Australia eased 2 cents to A\$12.04.

WELLINGTON eased. with most of the day's activity taking place in Fletcher Challenge. FCL closed I cent up at NZ\$3.90 as the NZSE-40 Capital index shed 8.21 to 2,118.04 in turnover of NZ\$51m. SEOUL turned higher in a

technical rebound after its three-day consolidation, and the composite index improved 5.21 to 946.87 ahead of today's market holiday. MANILA rose strongly,

of higher profits because of a cotton shortage.
The KSE 100-share index chicago sara; elped by an overnight gain on Wall Street for PLDT, together with buying of San Miguel and rose 4.43 to 2.189.44.

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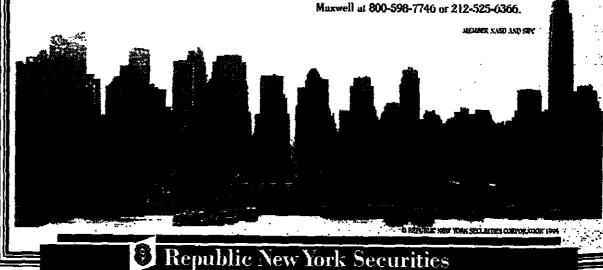
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#### FT-ACTUARIES WORLD INDICES

show number of lines of stock	Dollar Incles	Change %	Sterling Index	Yen Index	DM index	Currency index	% chg on day	Div. Ylaki	Dollar Index	Sterling Ndex	Yen Index	DM Index	Currency : Index	52 week High	52 week Low	(approx)
Australia (68)		2.7	172.63	115.78	182,41	160,50	21	3.42	170.55	168.54	112.94	147.82	157.17	189.16	130.19	136.62
Austria (17),		-0.2	172.12	115.42	151,95	161.78	E.9	1.06	174.88	172.81	115.80	151,58	151.38	195.41	140.14	143.2
Beiglum (42)		-0.4	170.57	114,38	150.59	147.04	0.0	3.71	173.73	171.67	115.04	150.57		176.67	141.92	147.8
Canada (106)		1.1	126.54	84,83	111,81	127.97	0.9	2.63	127.06	125.55	B4.13	110.12		145.31	121.48	
Denmark (33)	254,47	-0.1	250.85	168.22	221,45	226.73	0.4	1,30	254.70	251.68	168.65	220,74		275.79	207.58	
InLind (22)	.162,27	~1.0	150.10	100.66	132,52	174.28	-0.3	0.88	153.82	152.00	101.86	133.31	174.87	156.72	85.54	92,0
rance (98)		-0.4	173.61	118,42	153.27	158.56	0.0	2.84	176.74	174.65	117.03	153,18	158.50	185.37	149.60	
Germany (56)	144.60	Q.1	142.55	95.69	125,85	125.85	0.6	1.64	144.41	142.70	95.62	125,16		147.07	107.59	
long Kong (56)	.379.99	1.5	374.58	251.20	330.71	376.94	1.5	2.83	374.51	370.08	247,99	324,59		506.56	271.42	
reland (14)	.184.66	0.1	182.23	122.21	160.89	177.88	0.1	3.42	184.88	182.50	122.29	160.06		209,33	155.93	
taly (60)		-2.8	92.25	61.87	81.45	112.47	-20	1.39	98.31	95.17	63.77	83,47	114.79	97,78	57.88	
Jарал (469)		-02	154.61	103.6B	138.50	103.68	-0.3	0.78	167.12	155.28	104,04	136.17	104.04	165.91	124.54	
Velaysia (98)		-1.3	485.13	311.92	410.65	474.57	-12	1.42	477.84	472.19	318.42	414.15		821.63	312.61	330.1
Mexico (15)		0.3	1889.54	1267.14	1688.19	8968.38	0.1	1.12	1911-26	1888.62	1285.57	1656.44		2647.08	1431,17	
Vetherland (26)		-0.1	199.73	133.94	176.33	173.80	0.3	3.23	202.85	200.45	134.32	175.81	179.23	207.43	163.30	
Yew Zeeland (14)	68.00	21	66.01	45.61	60.04	62.48	1.7	3.82	67.58	66.76	44,74	58.55		77.59		
lorway (23)		0.1	195.76	131.28	172.83	198.52	0.6	1.70	198,35	196.00	131.34	171.91	194.43		46.89	47.
Ingapore (44)		0.7	338.02	226.88	298.43	245.04	0.5	1.54	340.44	338.41	225.43	296.08		208,42	150.61	160.
South Africa (58)		-0.5	260.93	174.98		282.33	-0.7	2.10	286.14	262.98			243.77	\$76.82	242,46	
Spain (42)		0.9			230.36					142.78	176.23	230,65		280.26	175,93	191.
	228.63		143.67	98.35	128.84	153.12	1.5	3.89	144-50		95.68	125,23		155.79	116.33	130.0
Switzerland (47)		0.1	225,38	151.14	188.98	263.52	0.7	1.52	228.45	225.78	151,28	198.01	261.72	230,02	163.85	
Joiled Kingdom (205)		0.8	153.62	103.02	135.62	137.82	1.0	1.76	154.59	152.76	102.36	133.98		176.56	121.20	121.
		0.1	189.28	126.93	167.11	189.28	-0.2	3.92	191.56	189.59	127,04	166.29	189.50	214.96	170.32	177.0
ISA (519)	161.05	0.0	178.47	119.68	157.56	181.05	<u> </u>	285_	180,98	178.84	119,84	_158.85	180.96	196.04	178.95	179.
	.170,47	-0.1	168.04	112.69	148,38	160.94	0.1	2.89	170.64	168.62	112,99	147.89	160.80	178.58	141.58	145.4
lordic (114),		-0.1	212.35	142.41	187,48	216.78	0.5	1,38	215,67	213,11	142.81	186.91	215.77	220.60	165.82	168.0
ecific Besin (750)	185,48	0.0	163.12	109.39	144,02	113.75	-0.1	1,07	165.42	163.48	109,54	143.57	113.91	166.80	134.79	1473
uro-Pacific (1473)	.167.40	0.0	165.02	110.66	145.69	132.31	0.0	1.83	167.44	165.48	110.67	145.12	132.38	170.78	141.98	148
forth America (825)	.177.76	0.1	175.25	117.52	154,72	177.37	0.1	2.83	177.63	175.53	117.62	153.85	177.24	192,73	175.67	176.
Europe Ex. UK (518)	154.84	-0.2	162.64	102.36	134,76	142.83	0.2	2.26	155.17	163.33	102.75	134.48		157,47	122.37	125.3
<sup>3</sup> aciffic Ex. Japan (281)	.250.07	12	246.52	165.32	217.64	225.94	1.0	2.84	247.09	244.17	163.62	214.15		298.21	182.39	188.
World Er. US (1656) ,	168.27	0.0	165.68	111.24	148,45	135.42	0.0	1.85	16B.28	166.28	111.48	145.84		172.51	142.94	147.
Morid Ex. UK (1970),	169.52	0.0	167.11	112.06	147.53	145.99	0.0	2.05	169,51	187.51	112.25	146.91	145.97	175.58	153.22	154.5
Mortd Ex. Sc. Af. (2116)	.170.95	0.0	168.52	113.01	148.78	148.90	0.0	223	170.92	168.90	113.18	148.13	148.89	178.58	165.00	156.8
Morid Ex. Japan (1706)	161,37	0,1	178.79	119.89	157.84	176.49	0.1	2.88	181,20	179.05	119.98	157.04	176.24	195.20	185.72	
The World Index (2175)		0,0	169.07	113.38	149.27	149,89	0.0	2.23	171.49	169.46	113.56	148.63	149.90	178.97	155.17	156.5

